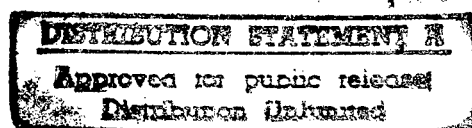


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Article Seeks To Define Socialist Value

91CM0492A Beijing ZHEXUE YANJIU
[PHILOSOPHICAL RESEARCH] in Chinese No 6,
25 Jun 91 pp 19-23, 76

[Article by Liu Jingshan (0491 0064 1472), Department of Philosophy, Hangzhou University, in consultation with Comrade Wang Ruisheng (3769 6904 3932): "More on the Value and Value Concept of Socialism"]

[Text] At the present time socialism faces a severe test on a global scale and China's socialist undertaking enters a critical phase in its development. A most intensive philosophical study of socialism and the consequent working out of clear and reliable directions for the millions and millions of China's masses in their struggle to firmly uphold and perfect the socialist system is an extremely urgent and inescapable task that is now before us who are engaged in theoretical studies. Comrade Wang Ruisheng's article "On the Value and Value Concept of Socialism," published in the first 1991 issue of ZHEXUE YANJIU (hereinafter, "Wang's article") has been a very useful initial endeavor in this respect, conveying a refreshing newness. However, with all the new understanding that I derived from it, I still have some different ideas, and I am herewith submitting my humble opinions in the hope of receiving the serious attention of colleagues in the field of philosophy and also asking Comrade Wang Ruisheng for his critical opinion.

1. On Socialist Values

Wang's article expresses the opinion that upholding socialism requires an acknowledgment of the socialist values and a striving for their thorough realization. This has my full agreement, but actually what is "socialist value"? Wang's article starts out from the common definition of value and belief that "every object that suits the needs of a subject is of value to that particular subject." If we furthermore affirm that socialism "has been put forward and established to suit the needs of the proletariat and the progressive elements of humanity," it would follow that socialism is a kind of fundamental value for the proletariat and for the progressive elements of humanity. However, this view merely explains that socialism is of value, but throughout the entire article there is really no answer at all to the question as to what socialist value is.

I believe that it is not at all true that everything that suits the needs of the proletariat and the progressive elements of humanity is "socialist value." During its time of ascendancy, capitalism too suited the needs of the proletariat and the progressive elements of humanity. In the present era, some aspects of capitalism suit the needs of the proletariat and the progressive elements of humanity, but we cannot count all these things as constituting "socialist value." This is very obvious and easy to see. At the same time, we also cannot regard "everything that exercises a positive role in the existence and development of socialism" as socialist value. In the prevailing socialist societies, many things and many

phenomena play a positive role in the continued existence and in the development of socialism, as, for instance, class struggle, as it is still going on within certain limits, also private-ownership economy and individual economy, as it still exists to some extent, etc. Can these be also counted as "socialist value"? This is equally impossible. Socialist value must be value that is unique to socialism, and must not be value shared in common with other social systems. If we define value as the something objective that manifests itself in the relation to a subject and that is an attribute (value attribute) that satisfies certain needs of the subject in question, then socialist value refers to an attribute of socialism that is capable of satisfying the needs of the proletariat and of the masses. Briefly, it is the value relation between socialism as the object and the proletariat and the masses as the subject. Socialist value is one of the intrinsic and innate attributes of socialism; it exists objectively. In historical respects we may say that socialism has emerged just at the time when needed by the proletariat and the working masses to free themselves of exploitation and enslavement by capital. The special characteristics of socialism are that it does not replace one exploitative system with another exploitative system but that it will thoroughly eliminate all class exploitation and all exploitative systems; it wants to achieve liberation of all mankind, and that is indeed the greatest value of socialism. As to the recent past, we may say that the greatest need of the proletariat and of the masses is the speedy development of productive forces to resolve the problem posed by the contradiction between constantly increasing material and cultural needs of the masses and the proportional backwardness of social production. The 70-odd-year history of socialism since its inception [in China] have already proven that socialism is capable of faster development of productive forces than capitalism and that it can bring about a more rapid change in the country's backwardness. Although socialism does not mean that value is provided for every single individual, it has indeed a very substantial value for the proletariat and for the masses. Most fundamentally, we uphold socialism because we want to uphold the innate fundamental values of socialism.

Socialist value is inherent in socialism which, therefore, is the value-object of socialist value, the material carrier of socialist value. However, "socialism" has many meanings; it is not merely an altogether new system, but is a lofty ideal, a scientific doctrine, and a realistic movement. Socialist values as objects exist at least in the following four large categories, while socialism is the overall designation of these socialist value-objects. The diverse nature of the socialist value-objects determines the diverse nature of socialist values. For a long time past, we have always gained our understanding of socialist value from the viewpoint of the socialist system; this is insufficient. The ideal, the movement, and the doctrine of socialism are equally of enormous value to the proletariat and the masses.

As an ideal, socialism is of long standing and well established; it can even be traced back to the *Republic* by

Plato of ancient Greece. Scientific socialism has inherited the eminent achievements of human ideas and culture and has eliminated all utopian components in the socialist doctrines of the past. The ideals of scientific socialism have been engendered by the founders of Marxism in their criticism of the old world. They reflect the natural trend of historical development. These ideals are more attractive and more impelling than the ideals of capitalism; they conform more closely to the true meaning of humanitarianism and are more powerful factors for morality and justice. During somewhat over one century, the ideals of scientific socialism have provided the historical proof that scientific socialism is of the greatest value in inspiring and guiding the proletariat and working masses of the whole world. As a movement, scientific socialism has existed since the inception of the "League of Communists" in 1947. Since mankind has had this movement of scientific socialism, the world has changed. On the one hand, it has made it possible for the ideals of scientific socialism to be partially realized in the territory of one-quarter of the human population of the world. On the other hand, its existence has intensified the sense of crisis in Western society, compelling it to expend greater efforts toward achieving prosperity. Hence, it has given impetus toward progress and development throughout the entire world. As a consequence, socialism as a movement has an extremely great practical and historical value. Scientific socialism as a doctrine is synonymous with Marxism, and in the movement to enhance the proletariat's knowledge of the world and to transform the world, it has provided guidance in their world view and a methodology. Hence, it has the greatest value for scientific understanding and the greatest value as a practical guide. As it is a very new system, the value of socialism is, of course, even more far-reaching and more profound.

The socialist value-objects, such as institutions, ideals, movement, and doctrine, must not be equated with socialist value in itself. Socialist values are adjuncts of these objects, but their realization must still undergo a process of creation and recreation. For instance, the public-ownership economy as an institution is a socialist value-object. To realize its value for the proletariat and the masses requires that the proletarian political party and the government of a socialist country adopt specific measures and formulate a corresponding policy, according to the various differing conditions prevailing. Otherwise, it would be absolutely impossible for a public-ownership economy to spontaneously produce value. In the same way it is necessary, in order to realize socialist value, to propagate and advocate the socialist ideals and thereby to deeply imbue the minds of the people with them. As to the socialist movement, it is necessary to continuously sum up experiences and draw lessons, enhance consciousness, and reduce blindness. As to the socialist doctrine, it is necessary to study, research, fully master it, and furthermore to continuously enrich and develop it in actual practice. Since they are the material carriers of socialist values, socialist

value-objects must necessarily be upheld because abandoning them would amount to abandoning socialism. However, our only purpose in upholding socialism is to realize socialist values, and we must therefore not lightly disregard the study of every kind of program, policy, measure, method, or means that can serve to realize socialist values. Whatever specific methods have proven in actual practice to be detrimental to the realization of socialist values must be changed by us in accordance with the changes in historical conditions, and must even courageously be discarded. Abandoning such things as "the great leap forward," "transition in poverty," "eating from the large pot," and "the iron rice bowl," is certainly not abandoning socialism.

When understanding and mastering socialist values, it is also extremely important to distinguish between apparent values and potential values of socialism. When adducing examples to explain what is called socialist value, Wang's article points out: "Eliminating exploitation, full development of man's personality, common prosperity, and respect for labor...all this is within the scope of socialist value." In principle this is of course correct, but due to the absence of a clear distinction between apparent and potential value, it cannot possibly be the answer to the following kind of difficult query: If these socialist values have not yet been realized today when, for instance, exploitation has not yet been completely eliminated, man's personality is not yet being fully developed, and common prosperity has not yet been achieved, is there then still any value in socialism?

I believe there are two categories of values in the socialist value system: One category had been able to develop very quickly in the wake of the development of the socialist system, and these values have by now become the actually extant values. They are, for instance, the development of productive forces at a speed much faster than in capitalism, causing the harmonious development of the individual as well as of society; elimination of the hostile confrontation of rich and poor and of the divisiveness of polarization; due respect for labor, etc.; all these we may call the apparent values of socialism. The other category of values is different, as these values cannot possibly materialize immediately after establishment of the socialist system. They are values that can only materialize after conditions for them will have matured. This category of values that still awaits materialization we may call the category of socialist potential values. If it is said that socialism is a large value system and that this system contains a multitude of values of many different aspects, then the combination of apparent and potential values of socialism constitutes the sum total of socialist values. The process of realizing socialist values is then also the continuous process of transforming socialist potential values into socialist apparent values.

Some values are well known to man but cannot immediately be realized because of the absence of the necessary favorable conditions; this is not at all a rare occurrence. People have come to realize very early that the

power created by atomic and nuclear fission can be a blessing for mankind and has huge practical value for mankind, but it was only after mastery of the technology of controlling nuclear fission that this value could actually be materialized. It is the same with socialist values. Because real socialist systems have first come into being in countries in which there had been a relatively insufficient development of capitalism and in which the productive forces had been relatively backward, there has been a great disparity between the actually extant pattern of socialism and the social pattern which the initiators of scientific socialism had in mind. This is also the factor that has determined that many socialist values expounded scientifically by Marx and Engels could not to this day be fully materialized. As we see in Marx, the greatest values of socialism are abolition of the private ownership system, elimination of exploitation, and socialization of all means of production. However, due to restraints of actual conditions, we have up to now not been able to completely carry out these program points. China is now in the initial stage of socialism, and in order to quickly develop productive forces, it is still necessary to allow a certain measure of private-ownership economy and individual economy to exist. It has also not been possible to completely eliminate exploitation, and for the time being it has not yet been possible to socialize all means of production. As another instance, one of the inherent values of socialism is the ability to institute democracy at a much loftier level than in capitalism, a fact which Lenin has repeatedly affirmed. However, due to the prevailing restraints of economic, cultural, and other factors in the socialist countries, this value too could not yet be materialized.

Since the potential values of socialism are inherent in socialism, their realization is a matter of course. Because they have temporarily not yet been realized, we must not deny that they are by nature attributes of socialist value, but we must also not insist that they be completely realized at a time when conditions have not yet matured. Forcibly abolishing all individual economy, "cutting off the tail end of capitalism," initiating "transition in poverty," all these mistakes of an extreme leftist "impetuosity," have they not all led to harmful consequences? They reveal to us the significance of differentiating between apparent values of socialism and potential values of socialism.

The socialist value system is an important value system among the numerous modern value systems. As early as the time soon after the victory in the October Revolution, Lenin predicted that "socialism has a huge reservoir of strength, ... and has magnificent prospects." (Footnote 1) (*Selected Works of Lenin* Vol 4, p 707) However, he also criticized the tendency of neglecting the study of the values of socialism: "The good things in our country's socialist system, we may say, have not yet been given the slightest consideration, have not yet been understood and realized." (Footnote 2) (*Ibid.*, pp 698-699) He demanded that people examine, test, verify, and consolidate these good things: "We must utilize all truly

good elements in our socialist system with extreme care, with great circumspection, and most painstakingly." (Footnote 3) (*Ibid.*, p 700) These instructions by Lenin are even today still of important practical significance. We must indeed study the values of socialism with extreme care, with complete circumspection, and painstakingly, in order to bring the superiority of the socialist system fully into play.

2. On the Socialist Value Concept

Wang's article expresses the opinion that the socialist value concept comprises two aspects: 1) Socialist values are objectively extant; 2) Realization of socialist values essentially requires a certain material foundation. I believe this actually equates the socialist value concept with the knowledge of socialist values, which is not very exact. Value concept does not refer to the knowledge of value, but refers to the attitude toward value; it is the directional criterion manifested by people in their choice, evaluation, and creation of values. What the term "value concept" wants to convey is mainly the question of "what has value and what has no value," "what is worthwhile and what is not worthwhile." Knowledge of value, on the other hand, essentially belongs in the sphere of the "theory of value." The theory of value is the philosophical theory concerning value; it mainly answers the questions of what is value, the nature of value, the conditions of value realization, and other such purely academic questions.

A complete perusal of Wang's article shows that his entire discussion is concerned with the content of the theory of value, as, for instance, "the subjects and objects of socialist values," "the key to a scientific understanding of socialist value," "the relation between general human values and socialist values," "socialist values are objectively extant," "realization of socialist values essentially require a certain material foundation," etc. As to the socialist value concept, its function as the directional criterion manifested in the evaluation, choice, and creation of values and its inherent meaning, character, function, and historical development, etc. are all topics that are not being dealt with in his discussion.

I believe the so-called socialist value concept refers to that value concept which occupies a dominant position in a socialist society. In a socialist society there equally exist different individuals and groups, and their value concepts differ from each other. However, there is only one type of value concept that occupies a dominant position, and it transcends the borders of individuals and of the various different groups. This concept is of an appropriate universality.

The socialist value concept, as one type of value concept, is in its constitution completely identical with common value concepts. It is also a single body of a conceptional system and the framework for evaluation that combines such elements as value criteria, conviction of value, an objective of value, and value ideals. However, the particular characteristics of the socialist value concept are: a

firm conviction of the superiority of the socialist values over capitalist values, the value objective of realizing the socialist modernization, the value ideal of achieving common prosperity for all the people, and value criteria that adopt labor as a basic standard. Within the socialist value concept, the firm conviction of the superiority of socialist values over capitalist values expresses a kind of precious identity of social views among the broad masses with socialism and expresses the trust, loyalty, and support for the principles of socialism; it often involuntarily surfaces in the various evaluations of social developments. The value objective of realizing the socialist modernization reflects the collective quest of all the people to achieve the common struggle target as it is also the force that motivates them to exert themselves for the realization of the socialist values. The value ideal of achieving common prosperity for all the people is an outstanding special characteristic of the socialist value concept and one in which it differs from any value concept of the exploiting class. In guiding the people's value-oriented conduct, it demands as an iron rule and as a matter of course "to work for the interests of the vast majority of people." It is like a sacred flame that guides the people so as not to have them deviate from the path of socialism in their choice, evaluation, and creation of values. The value criteria that adopt labor as the basic standard are the core of the socialist value concept. The term "adopt labor as the basic standard" refers to the fact that, in summing up and evaluating the various differing values, people can ultimately reduce and convert everything to a matter of labor expenditure (quantitatively and qualitatively) or sum it up as the effects on labor. The socialist value concept considers all things that are beneficial for improving and promoting labor development to be valuable; the stronger the promotion of labor, the greater the value. The value criteria that adopt labor as the basic standard are the interconnection and linkage of socialist value concept and socialist practice; by means of these criteria the socialist value concept evaluates all kinds of other differing values, accepts them or rejects them, and thus exercises its own function in the socialist practice.

Under the influence of the trend of "toning down ideology" or "doing without ideology," socialism was viewed as merely a kind of value concept. According to this view, it would not matter whether the socialist value concept or the capitalist value concept is right or wrong or it would not matter whether one is of a higher quality than the other. Both would be found acceptable and reasonable. I disagree with this viewpoint. The socialist value concept is not at all something "neutral." Comparing it with the capitalist value concept, the socialist value concept that adopts labor as its basic standard "represents transformation of the status quo and represents the future." It is a most complete, most progressive, most revolutionary, and most rational value concept.

As his criterion of moral progress, Lenin once adopted this measure: Would the matter in question help "raise

human society to a higher level." This is identical with Engels' conclusion that only a morality that "represents a transformation of the status quo and that represents the future" is the most perfect morality. We can apply this methodological principle without difficulty to the value concept. According to Marx's viewpoint, an ideal society is one in which "the free development of each individual is conditional on the free development of all." That means a society in which the overall development of society and the overall development of the individual are mutually conditional and mutually stimulating. In evaluating the superiority or deficiency of any kind of value concept, the only basis is therefore to see, under the historical conditions of the time, whether it is adequately effective in handling the relationship between individual and society, whether it achieves a harmonious unity of the two, and whether it allows both to advance at the same pace. The special characteristics that are inherent in it render the socialist value concept into a concept that completely conforms with this condition.

The socialist value concept has taken shape and has been established under the guidance of Marxism. The scientific world view and methodology of Marxism has bestowed on the socialist value concept the special characteristic of rationality. The socialist value concept, on the one hand, opposes the value concept of feudalism, in which society swallowed up the individual. On the other hand, it also opposes the value concept of capitalism in which the self is the center of everything and where the individual is placed above society. The socialist value concept advocates integration of individual interests and collective-societal interests, advocates that the individual serve the collective and society, and advocates that the collective and society in turn serve the individual, i.e., the "one for all and all for one." Of course, in handling the relationship between the individual and society, the socialist value concept stresses that the interests of the collective and of society take precedent over those of the individual. In case of a conflict between the interests of the individual with those of the collective or society, it advocates the spirit of placing public interests above private interests and of selfless devotion to public interests in disregard of one's own interests; it opposes every trend of selfishness. Guided by Marxism, the socialist value concept is capable of deciding in a comprehensive and realistic attitude whether to accept or reject a value and devotes its attention to overcoming the one-sided failing of "thinking in terms of hostile confrontation with an absolute mutual incompatibility." There is, for instance, also one view which holds that since the value of socialism is the elimination of exploitation, the permission to allow individual economy to exist runs counter to the pure socialist value concept. This viewpoint believes that "the socialist policy at the present stage cannot but maintain a certain distance to the pure socialist value concept" (see Wang's article). The fact is that the socialist value concept is not at all narrow and pedantic. Realizing the objectives and ideals of the socialist values, on the precondition of upholding the public-ownership

system, does not at all preclude or restrict the development to a certain degree of other economic patterns or forms of conducting business. Incorporating matters of diverse nature in the treatment of all values and in dealing with all cultural achievements of mankind not only is not in conflict with the socialist value concept, but is precisely what the socialist value concept demands.

As an ideology, the socialist value concept has been established on the foundation of the socialist public ownership system. The system of socialist public ownership has endowed the socialist value concept with the special characteristic of an advanced nature. The public ownership system has resulted in a new pattern in the relationship of man to man in the socialist society. On the foundation of identity of basic interests, people have formulated common objectives for their ideals and for their struggle. Those ways of the class society of "relying on the sacrifice of the majority of people, or even relying on the sacrifice of an entire class" as the price for social progress are no more in existence. It is precisely on this foundation that the socialist value concept widened the borders for mankind to accept or reject values.

By adopting labor as its basic standard, the socialist value concept gains the special characteristic of conforming most closely to human nature. In a society based on private ownership, labor entails alienation (bringing into being slave labor, corvée labor, hired labor). Labor becomes labor of much hardship and suffering, while the workers engaged in this labor sink to a subhuman level. For the first time in history, the establishment of the socialist system had made the proletariat and the working people masters of their own destinies, and the phenomenon of labor alienation rooted in the private ownership of the means of production does not exist anymore. Labor has become a glorious and heroic undertaking of the socialist citizen. In the socialist society participation in labor is a bounden duty of every member of the society. Every worker at his particular post performs his work with the attitude of master. Labor not only creates wealth for society, but also brings the workers honor, benefits, and happiness.

Of course, because of the restraints of historical conditions and the influence of old value concepts, labor has not yet truly become the primary need in the life of the people; it has not yet changed from a means of making a living to a means of life enjoyment. However, be that as it may, adopting labor as the basic standard, compared with the "official rank" standard of the feudal society's value concept and the "money standard" of the capitalist society's value concept, provides an element of permanence and provides a greater measure of rationality, appropriateness, and progressiveness. In short, it makes it conform more closely to human nature.

Presently, China's socialist modernization project has already entered a new developmental phase. To promote China's economic upswing and social progress, it is

necessary to engage in more extensive and more deep-going propaganda, popularization, advocacy, and much intensified promotion of the socialist value concept. I believe that the socialist value concept will strike root in the hearts of the people, that it will in future bring about a profound change in the mental outlook of the Chinese people, and that it will make our great motherland stride into the new century with an altogether new attitude.

Xing Benxi Analyzes Major Debates in Philosophy

91CM0486A Beijing ZHEXUE YANJIU
[PHILOSOPHICAL RESEARCH] in Chinese No 6,
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[Article by Xing Bensi (6717 6321 1835), affiliated with the CPC Central Party School: "Major Debates in Modern Chinese Philosophy—(Continued)," the second of two serialized articles—the first was published 27 September 1991 in JPRS-CAR-91-053.]

[Text] VI. On the Issue of Rationality and Irrationality

In recent years, Chinese philosophers, psychologists, educators, and artists have launched heated debates over the issue of rationality and irrationality. In 1983, some comrades in educational circles wrote that in the past we had emphasized education that promoted intellectual development and that later we also paid attention to moral education. That of course was correct, but they said that we had not paid enough attention to the aspects outside of intellectual education that had nothing to do with rationality, for example, education that would foster will power and build character and so on. Will power and character have nothing to do with intellect, nor do they have anything to do with knowledge. Some middle and elementary school teachers urged the public to pay more attention to these aspects of child development. They said that although some children are very well-developed intellectually these days, there remain some problems when it comes to their character and will power. Moreover, often the more intellectually well-developed and the smarter the children, the weaker their will power. Of course, it is not necessarily an exact inversed correlation. This issue caught the attention of those in educational circles, and they in turn urged us to stress these aspects when educating the young people. Subsequent discussions about rationality and irrationality among theoreticians, philosophers, psychologists, and artists also increased. Some comrades wrote about a concept known as irrationality of the subject, and some called it irrationality of the psyche. These writings suggest that from the psychological point of view, it is not enough for man, as the subject, to rely only on his knowledge to keep in touch with the outside world, because the objective world is full of complicated and overwhelming informations. It is impossible for man to grasp all this information that comes from the outside world with his cognitive ability alone. Therefore, man also needs other elements, including some irrational elements, in his psychological structure to maintain his

relationship with the outside world. There have been numerous discussions on this matter, and some comrades who work in the natural science area are concerned about the issue too. They suggest that we pay more attention to the role of intuition in scientific discoveries. Friends in artistic circles have even more to say about this subject. Many stress the role of inspiration in artistic creations. They have come up with many examples and materials gathered in studies to prove that inspiration indeed exists. Some have tried to prove, based on the biographies of various artists, that the best works of some artists were created in their dreams. Take Italian composer and violinist Tartini's famous *The Devil's Sonata* for example. Reportedly, the music came to Tartini in a dream in which the devil played an exquisite melody, and when he woke up, he quickly wrote the music down and rearranged and refined it later. Someone even said that some movements in *Rhinegold* and *The Mastersingers*, by well-known German composer, Wagner, were also written by recalling scenes from his dreams. All these may sound incredible, but how do we explain them? It may be inspiration, or it may be intuition. All we know is that they are irrational elements in man's subjective structure. And what do we make of these elements? In addition, some people believe that emotions, will power, character, and mood are also irrational aspects of the subjective structure. Subsequently, because of the increasing influence of Freud's psychology, and because an important concept in the Freudian school of psychology is the unconscious, some people suggest that the unconscious is also an irrational element. As for how many irrational elements indeed are there, those in academic circles still disagree, but they have reached one consensus, and that is, besides through knowledge, man must keep in touch with the outside world through some irrational elements in order to grasp the different kinds of informations.

Marxism acknowledges the existence and the role of irrational elements, but it is against setting the irrational elements against rationality, because rational matters still play the lead role in man's psychological phenomena. Since Socrates, European tradition has always depicted man as a rational animal. Whether this view is accurate or not, scientific or not, is another matter, but rationality nevertheless is mankind's unique characteristic, and the manifestations of many irrational elements in man's psychological structure are indistinguishable from that which is rational. Take the question of intuition in scientific discoveries for example. Many people like to tell the story of Newton who discovered "universal gravitation" after observing a fallen apple to explain the role of intuition. But in fact Newton did not discover "universal gravitation" simply through this phenomenon or because of his intuition. If he had, we could have said that all scientific discoveries were but accidents. Prior to his discovery, Newton had studied the law of gravity extensively. The fallen apple played a triggering role, but we cannot separate it from the fact that he had studied and thought about the subject for a long time. If the incident of an apple falling out of the tree alone had

led to the discovery of the "law of universal gravitation" without the accumulation of prior knowledge, it would indeed have been incredible. The same goes for the artists' inspiration. No matter whether the stories about Tartini and Wagner are true, one thing we know for certain is that the work of an outstanding artist is not the result of a moment's inspiration. Earlier, when we talked about subjectivity, we already mentioned that a writer must do much preparation before he writes, and a man of letters must gather a great deal of literary raw material from life and go through a complicated refining process. Sometimes inspiration plays a triggering role. For example, a writer may ponder about a plot or a character's activities for a long time and still draw a blank, but a sudden inspiration will shed light on everything and solve his problems. On the surface, it may appear that inspiration is the answer to everything, but in fact the writer has already spent a lot of time thinking. We ourselves must have the same experience at one time or another. Sometimes when we want to write something, we cannot come up with any idea no matter how hard we try, and then one day, the ideas are sorted out, and the job is done. This is not simply a matter of inspiration. Then, can the phenomena about the dreams described earlier really happen? Perhaps. But this is also partly because the artists have racked their brains before having those dreams. Many things that happen in people's dreams are related to their everyday thoughts.

There are many ideas of irrationalism in Western philosophy, and Nietzsche's philosophy and Freud's psychology epitomize those ideas.

Nietzsche's philosophy emerged as a non-traditional Western philosophy. As we know, Nietzsche opposed Christianity. In his book *Die Frohliche Wissenschaft*, he came up with the shocking proposition that "God is dead." In that book, he told the story of a lunatic who brought a torch in broad daylight to the market to look for God. He could not find God, and so he announced to the crowd that "God is dead." This of course is but a parable. Why did he make "God is dead" the theme of this book? It is because he had an important opinion, and that opinion is that he wanted to reassess traditional Western values; one of the most important values which had long played an important role in Western history was the value outlook of Christianity. Nietzsche insisted that man's will is not determined by God, that man's will should be decided by man himself, and so he very much emphasized the role of will power. He despised the weak. He thought the weak had no will power. A strong man, a superior man, should have extraordinary will power, especially a kind of invincible will, or "will to power." The superior man is superior because his will power is not like anybody else's. In Nietzsche's opinion, the difference between a superior man and an inferior man is the difference in will power, in how much will power they have. The more invincible will power a man has, the more superior he is, and those who lack this kind of will power or demonstrate minimal will power are inferior men. Thus, Nietzsche's irrationalism emphasizes the

role of will power, and his so called reevaluation of the Western value outlook is to establish the viewpoint that man's invincible will power determines all things, and he tried to replace the Christian teaching that God decides everything with this viewpoint. Although we cannot simply say that Nietzsche's viewpoint was the basis of fascist philosophy, it nevertheless was adopted by the fascists. Fascism used Nietzsche's theory of superior man and inferior man to assert that the Aryans are superior men, that they have the right to rule the world.

Freud's irrationalist viewpoint is also quite unique. Many of his works have become available in China in recent years. Freud separated man's psyche into three levels: unconsciousness, preconsciousness, and consciousness, the last being the most important. He illustrated his idea with the metaphor of an iceberg: The tip of the iceberg which is above water is likened to the consciousness and preconsciousness of man's psyche, and the portion that is submerged under water is likened to his unconsciousness. Unconsciousness is man's instinct and is the internal driving force of man's behavior. Much of what man does is driven by this unconsciousness. Consciousness refers to man's more rational side. In Freud's opinion, man's behavior is driven mostly by the unconscious. Consciousness controls and restrains people's behavior and keeps it from overstepping the bounds of convention or exceeding the scope permitted by the moral standards of the times. He used the example of a horseman riding a horse. The horseman is man's consciousness, because the horseman knows where he wants to go. The horse is man's unconsciousness; it has tremendous internal driving force and great impetus. As we know, Freud was a psychiatrist. He was very successful in the clinical diagnosis of mental illnesses and was also very accomplished in some areas of psychopathology. Why did he attach so much importance to unconsciousness in the human psyche? It is because after treating numerous mental patients, he concluded that most mental patients became ill because their instincts, that is, their unconsciousness, were suppressed, and this was especially so with those who were sexually repressed. Not all psychiatrists and psychologists agree with him. Many scholars believe that schizophrenia is not always caused by sexual problems and that the causes of a schizophrenic's mental disorder are very complicated. For example, there may be some kind of trauma, and if a person cannot withstand an emotional trauma, it can lead to mental disorder. Because he over-emphasized the role sex plays in the human psyche, Freud's psychology is often called the "libido theory."

Freud coined a very important psychological term, "Oedipus complex." He believed that this is the unconscious sexual instinct hidden in the minds of the young people. He not only used "libido theory" to explain man's psychological phenomena but used it to explain religious and artistic phenomena. For example, he used his "libido theory" to explain a well-known play, "Oedipus Rex," by Greek playwright and poet Sophocles. Oedipus was the son of the king of Thebes in ancient Greece.

When he was born, the sorcerer predicted that he would later kill his father and marry his mother. When his father heard this, he had his son thrown into the ravine. However, the child did not die and was adopted by a family in Florence. When he grew up, he returned to his own country and performed many meritorious services and was eventually crowned king of Thebes. In the process, he killed his own father and married the former queen who in fact was his natural mother. Later, someone told him that his wife was really his mother and that he had killed his own father, and upon hearing that, Oedipus put out his own eyes. This is the brief story of "Oedipus." Freud used his theory to explain the story. He said that the root cause of Oedipus's tragedy was his neurotic love for his mother, and this kind of love was later coined "Oedipus complex" by Freud. This of course was a bit farfetched.

From the above, it is obvious that both Nietzsche and Freud exaggerated the irrational elements. Nietzsche exaggerated the role of the will, and Freud exaggerated the role of the unconscious, and both pitched these irrational elements against rationality. Marxism opposes such irrationalism. We should make a distinction between two issues: First, we should acknowledge that there are irrational elements whether in the subjective structure or in the psychological structure. Second, we should oppose any attempt to exaggerate the irrational elements in the subjective structure or in the psychological structure.

We have not seen any article that openly advocates irrationalism in philosophical circles in this country in recent years. Of course there have been many writings that emphasize the role of irrational elements, especially those that stress the role of unconsciousness. However, irrationalism is being touted openly in artistic and literary circles. For example, those who meddle in artistic and literary theories have urged us to "walk on the wild side" and have said that our artistic and literary works have been fettered by traditional morals and a traditional world outlook for too long, and that is why we have not seen any good work lately. They claim that only if art and literature are freed from the bondages of traditional concepts, a world outlook, and a value outlook, can truly immortal works be created. Some artistic and literary theorists have said in their own works that we must lift the lid of civilization and look for man's wild roots. Some people have also suggested finding the genes of man's animal nature. Influenced by these theories, many problems have appeared in artistic and literary works. Many openly depict things that are primitive and wild, and it seems the more primitive and uncivilized they become, the better they can express the so-called modern artistic thoughts.

There are others who suggest that art should not just emphasize aesthetics but should also emphasize the ugly side of life. This means bringing all things that are ugly and evil onto the artistic arena and into works of art and literature, as if only then can they manifest their true artistic nature. Movies, nevertheless, have some limits,

but in novels, such descriptions have no bounds. Among the glut of sexually oriented literature in recent years, naked depiction of sex in literary works can be found everywhere. We cannot deny that this has something to do with Freud's libido theory.

Theoretically speaking, the issue of rationality versus irrationality has become a very important issue. While those in philosophical circles are overlooking this issue, others in artistic circles have already created much confusion in the ideological realm. We must pay serious attention to this problem.

VII. Historical Determinism and Uncertainty

There is a tendency for the discussions on "subjectivity" to lean more toward the side of uncertainty in recent years. This is seen especially in some people's attempt to pitch historical inevitability against historical fortuity and pitch historical law against subjectivity, especially the role of subjective choice. These people deny the existence in the historical realm of inevitability and natural law in their strict sense. Some writers obviously are equating determinism with mechanical materialism when they criticize the former. For example, they only look at the abstract relationship of "effect and counter-effect of determination" between productive capacity and productive relations, between economic foundation and the super-structure, and between social existence and social consciousness and treat society's material conditions and material relations as the "subject" and human activities as the "predicate." They basically have not gone beyond mechanical determinism and are in fact expressing something that resembles natural determinism. Some writers maintain that there is no linear cause-and-effect in the historical realm; there is only probability, and probability can turn out this way or that way. Some writers even suggest that slavery, the feudal system, capitalism, and socialism are the result of men's choice of social relationship based on their own capabilities and interests. This viewpoint is wrong. We know that historical law is manifested through human activities, and therefore it is more complicated than the law of nature. For a brief moment in time, history stands at the crossroads of many developmental possibilities. There is nothing unusual about this; in the historical process and within a certain scope, the subject, too, obviously has many choices. However, no matter how complicated the historical development, and no matter how obvious the subject's role in making choices, the ship of history will sail along its predetermined course. History no doubt is mankind's own creation, but mankind does not create history according to a unanimous will or a unanimous plan. On the surface, the historical realm is full of contingencies and probabilities, and there is plenty of room for the subject to make choices. However, behind those contingencies and probabilities, and behind the subject's choice, inevitability also plays a role. Engels pointed out that in the historical realm, because people have different wishes and different directions, a criss-cross of forces is created, these forces form numerous parallelograms, and historical incidents are the results of

these forces and these parallelograms of forces. How does one force become the dominant force, and why does the parallelogram of forces lean toward a certain direction? This is beyond the control of individuals or even a class of individuals. Rather, it is something that abides by the objective law of history, and this law, that the development of the productive forces is the basic motive force behind the development of history, is what Marx and Engels tried to expound over and over again.

The subject-object relationship in the historical realm is a complicated issue, or we can call it an old issue, never resolved until the formation of Marxism. The idealists either believed that history was determined by man's will, or they summed up the driving forces behind historical development as a kind of abstract rational principle. The materialists tried in vain to come up with a conclusion that was different from the idealists' conclusion, but because they had not quite figured out in what form matters would exist in the historical realm, their hope was destined to be dashed. They might have arrived at a conclusion similar to the idealists', or like the 18th century French materialists, they too were trapped in the strange circle they had drawn for themselves. The birth of Marxism changed this situation once and for all. Since then, the subject-object relationship in the historical realm has had a scientific explanation. Marxism not only upholds materialism in the historical realm but also insists on dialectics. On the one hand, it maintains that matters exist in a unique form in the historical realm, a form that is different from things that are natural, and that existence is social existence. It maintains that in the historical realm, just like in nature, there are objective laws which are independent of man's will. On the other hand, it also maintains that the law of history is different from the law of nature. The former cannot be separated from human activities if they are to be realized, and that is how man, the subject, can give full play to his creativity in the historical realm. Some people suggest that to acknowledge historical determinism is to propagate historical fatalism. This viewpoint has no basis at all. Although Marxism upholds the historical determinist stand, it is by no means historical fatalism. It has never believed that everything in history is predetermined. Marxism affirms historical inevitability but does not reject historical fortuity. It believes the latter to be the manifestation of and a supplement to the former. In the final analysis, Marxism emphasizes that the most fundamental of all forces behind historical development is production and that historical development is caused by matters and economics. Yet, at the same time it does not deny that political, ideological, and cultural factors play a role too. As Engels said, history is propelled by a combined force, and in this combined force, the inevitability of economics is the red line that threads through the entire developmental process.

Those who oppose historical determinism love to say that history is man's creation. They have forgotten that man creates history under certain conditions. Man's historical creation is necessarily constrained by historical inevitability. Communism is a magnificent ideal,

but many conditions must be met before communism can be achieved. These conditions include material and technological standards as well as man's own spiritual condition. We are still far from meeting the various conditions for achieving communism. Communism cannot be achieved overnight just because the people have longed for it. Similarly, in the 40 years since the founding of New China, and especially in the 10 years since reform and opening up, China's socialist economy has achieved glorious successes, but because our country's economy used to be very backward and because of mistakes we made, our country's productive capacity still lags far behind that of the well-developed countries. To close the gap, the party Central Committee has drawn up a three-step economic development strategy. Thus, there are conditions to be met even in closing the gap between us and the others, and this too is something independent of man's will. Marx said, "People create their own history, but they cannot create history as they please. They cannot create history under conditions of their own choice. Instead, they create history under conditions they have run into, conditions that are predetermined, or conditions they have inherited. Like a nightmare, traditions left behind by bygone predecessors are entangled in the minds of the living." (Footnote 1) (*Collected Works of Marx and Engels* Vol 1, p 603.) This statement is the best answer to those who exaggerate the historical subjectivity.

Many works in modern Western philosophy sympathize with the views of historical uncertainty. The Marburg School of neo-Kantianism denies that the task of social science lies in discovering and studying the objective laws of social development. It maintains that there is no such thing as objective inevitability in social history. The leader of this school, Rickert, deliberately turned historical materialism into economic determinism and accused it of "turning all history into economic history and then into natural science" and concluded that it could not tell the truth about history. He denied the scientific nature of historical materialism and maintained that it was something created to meet the needs of political parties and factions. Obviously, the spearhead of this kind of "uncertainty" is directed at Marxism.

The popularity of this kind of viewpoint of uncertainty also has its background in natural science. In recent years, there is the viewpoint in the natural science circles at home and abroad that there is no certainty or cause-and-effect in the microcosm physics explores. Many physicists disagree with this viewpoint. This debate has gone on for a long time. As we know, there was a famous debate in the history of physics between Einstein and the Copenhagen School. The focus of that debate is whether certainty and cause-and-effect exist in the microcosmic realm. Some leaders of the Copenhagen School, such as Heisenberg and Born, denied that those things existed. They emphasized that man could not even grasp the workings of elementary particles in the microcosm. Take electrons for instance. They make up the relatively superficial layer and are not even the elementary particles in the atomic nucleus, but even then, no matter how

high-speed our accelerators, we still cannot open them up to look at their internal structure. The workings of electrons are the same. How do they work? There is no way to find out. All we know is their wave function. Thus the Copenhagen School has a very famous theory, that is, the essence of an electron is a probability wave and is not matter. Einstein rejected this viewpoint. In 1946, in a letter to Born who headed the Copenhagen School, he said, "You may believe that God plays dice with the universe, but I believe that strict law and order exist in the objective world." Some scientists, including Einstein, believe that mankind indeed still does not have a precise understanding of elementary particles, but it is a fact that they exist in the microcosm and that they work according to their own law, and there is a certainty and cause-and-effect about them. These are two separate issues. Based on the fact that mankind does not fully understand the elementary particles in the microcosm, the Copenhagen School has drawn the conclusion that if matter is destroyed, the essence of electron will be a probability wave. The school headed by Einstein, on the other hand, believes that this is only because of the limitation of human knowledge at the present stage. This debate in fact is about whether objective law exists in the universe. Some physicists believe that there is no physical law, only statistical law. Physicists have engaged in heated debate over this question in recent years, and those debates have affected other sciences.

Today, the theory of historical uncertainty is championed by well-known scientist-philosopher Popper. He disagrees with Einstein's certainty viewpoint. In the debate between Einstein and Born over whether objective law exists in the microcosm, he has stood on the side of Born. Even in 1988, at the 18th International Congress for Philosophy held in Brighton, England, he continued to uphold this viewpoint in his report, "On the Two Kind of Probabilities." The debate over certainty and uncertainty in natural science is an academic issue, and to date, there are still differences of opinion. The problem is, Popper's uncertainty theory is not limited to nature studies but extends to the study of history, and he openly and directly declares war on Marxism. In his opinion, there is no law in the historical realm. All socio-historical phenomena are one-time phenomena that never repeat themselves. He asserts that no historicism (historical determinism) in any form is valid, and therefore there is no accurate prediction to speak of in the socio-historical realm. He even said, "historical predictions are lies." He not only points the spearhead at historical materialism but even attacks all philosophies that advocate determinism. This philosopher who is accomplished in science and philosophy has come to advocate idealism's theories of chance and the unknown. In recent years, because of the spread of scientific philosophy in China, Popper's name is well-known to many in our academic circles. His scientific demarcation theory, his "falsification" method, and his "World 3" viewpoint are dwelled upon with great relish by many. While people embrace his valuable ideas, they have also succumbed to some of his negative influences, the most

important of which is his "historical uncertainty theory." To some extent, this is responsible for the spread of uncertainty theory in China's historical studies in recent years.

The above are some of the hot points in the debates in China's philosophical circles. Although some incorrect viewpoints have been expressed in the debates, the

debates themselves are of value. They help broaden our outlook and expand our thinking. They prompt us to consider new questions. We should uphold the basic Marxist principles but should also explore new issues and review new experiences. Only in this way can we contribute to Marxism's development. Today, Marxism is facing a grim challenge. Only through our own creative work can we meet the challenge and forge ahead.

NATIONAL AFFAIRS, POLICY

Forum Focuses on State Enterprises, Shareholding

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[Article by Guo Tiwei: "Promote the Reorganization of the Shareholding System of State Enterprises; A Summary of the International Forum on Management Reform of State Enterprises"]

[Text] **Editor's note:** The "International Forum on Management Reform of State Enterprises" held in 1990 by the State Commission on Structural Reform and the World Bank focused its discussion on state enterprises reorganizing into shareholding companies. At the time, large and medium-sized state enterprises were still inactive and deep-layered contradictions in the economy were intensifying. The objective reality of economic development called for a conscientious deepening of reform and, in particular, a reorganization of the shareholding system and management style of state enterprises. Some of the following views expressed at the forum are of interest and worth further study.

In September 1990, the State Commission on Structural Reform and the World Bank jointly held an "International Forum on Management Reform of State Enterprises" in Guilin City. Twelve foreign specialists from England, the FRG, Italy, New Zealand, South Korea, and the World Bank and more than 20 Chinese representatives from various provinces, municipalities, enterprises, and relevant departments attended. The central theme was: how the style of management should be reformed to improve the efficiency and economic results of state enterprises.

1. Four Conditions Which Determine the Efficiency and Economic Results of Enterprises

The foreign specialists were of the opinion that, no matter whether it is a state enterprise, a privately owned enterprise, or a mixed ownership enterprise, efficiency and economic results hinge on the following four conditions:

First, the operational objective must be to increase profits.

Enterprises with high efficiency and economic results have operational objectives which are clear-cut and singly focused. This is what increases profits. Some state enterprises with low efficiency and economic results often have multiple operational objectives. In addition to their commercial objective of being profitable, the government also regularly demands that they accomplish a variety of social objectives. This not only directly reduces efficiency and economic results, it also gives enterprises a pretext for concealing operational deficiencies.

The way to solve the problem is to separate governmental functions from social management functions.

The government should not, in its role as social manager like privately owned enterprises, have authority to demand state enterprises assume social responsibilities; and in its role as owner should, also like privately owned enterprises, have as its sole economic objective an increase in profit. When special circumstances arise and state enterprises have to be asked to assume social responsibilities, an examination must be made and appropriate economic compensation granted.

Second, there must be full managerial decisionmaking authority.

Judging from the present situation, the majority of state enterprises have a certain degree of decisionmaking authority, with large and medium-sized enterprises having somewhat less. Factors from two sides constrain enterprise operational independence. Internally, enterprises have only managers and workers. The owners are represented by the government, which is outside the enterprise. The decisionmaking authority that the owners must possess cannot be given to the enterprise, which, then, affects independent operations. Externally, with the lack of market development, enterprises do not have a climate in which they can operate independently. To improve efficiency and economic results, we must deepen reform to focus on resolving these two issues.

Third, the enterprises' sole responsibility for profit and loss must be implemented.

The enterprises' sole responsibility for profit and loss has a twofold effect: First, it can motivate, greatly inspiring enterprise enthusiasm and constantly improving management and administration. Second, it can create self-restraint, with sole responsibility for profit and loss keeping enterprises within bounds by ensuring they exercise their independent decisionmaking authority correctly. It basically prevents shortsighted actions and expansion of consumption funds. These two mechanisms are indispensable for improving efficiency and economic results.

Fourth, we must have a normal competitive environment.

Competition is a powerful tool in promoting improved enterprise efficiency and economic results. However, competition must be generated by certain internal and external conditions. Internally, what is important is that enterprises implement independent decisionmaking and sole responsibility for profit and loss and make profit their operational objective. If enterprises do not do this, they will lack the internal qualifications to compete. Externally, what is important is that a market climate be created and, at the very least, a commodity market. Otherwise, creating competition is not a viable option. Thus, this fourth condition is based on the preceding three and derived from the third.

The foreign specialists were more or less unanimous in the view that, irrespective of an enterprise's ownership, as long as it met these four conditions, it would have a base for improving efficiency and economic results.

2. To Improve Efficiency and Economic Results, State Enterprises Must Be Reorganized Into Shareholding Companies

The foreign specialists were of the opinion that, while China's state enterprises must possess the above four conditions if they were to improve efficiency and economic results, it would not be necessary for them to change the prevailing system of ownership. They only need to make appropriate changes in their organizations that would transform the state enterprises into shareholding companies based on publicly owned holdings.

The significance of this reorganization is in providing a foundation for enterprises to carry out independent decisionmaking and to assume sole responsibility for profit and loss. At present, China's state enterprises only have managers and workers. They do not have owners. The government in its role as owner's representative is not within the enterprise but outside of it. Consequently, enterprises cannot fully exercise their own decision-making authority, much less assume sole responsibility for profit and loss. Once they reorganize into shareholding companies, the government in its role as shareholder is still outside the enterprise. However, the board of directors made up of shareholder representatives appointed by the shareholders becomes a component part of an enterprise. This is how an enterprise achieves the independent status of a shareholding legal entity, and on this basis, exercises its own decisionmaking authority and assumes sole responsibility for profit and loss. Whether shareholders in the companies of various countries are individual persons or corporations, they are all outside the enterprises. However, the board of directors as representatives appointed or elected by the shareholders can go into the enterprise and thereby enable the enterprise to exercise its own decisionmaking authority and assume sole responsibility for profit and loss.

The organization of state enterprises into shareholding companies based on publicly owned holdings is accomplished by the enterprises themselves as part of the system of publicly owned enterprises. The only thing that changes is the form of public ownership that is realized, not its substance. This is why it cannot lead to privatization.

Organizing state enterprises into shareholding companies belongs to the category of enterprise structural reform. It cannot be carried out in isolation. It has to be part and parcel of structural reform as a whole. Closely linked to this is an important twofold reform. First, there is reform of structures pertaining to market development, primarily development of the commodity market, such as the planning structure, circulation structure, and price administration structure. Without a market, enterprises cannot exercise their own decisionmaking authority. If they cannot exercise their own decision-making authority, they cannot be required to assume sole responsibility for profit and loss. In which case, organizing state enterprises into shareholding companies loses all its meaning. Second, there is reform of the

administration of state-owned assets. Because the managerial functions and ownership functions are separate, enterprises implementing a shareholding system and the government must be mutually supportive from top to bottom and form a mutually complete set. If either fails, the anticipated goals cannot be achieved.

3. The Appropriate Extent to Which State Enterprises Should Be Reorganized Into Shareholding Companies

Those at the forum were unanimous in the opinion that not all state enterprises should exercise their own decisionmaking authority and assume sole responsibility for profit and loss. Therefore, not all should be reorganized into shareholding companies. Generally speaking, from now on a variety of operational forms will coexist among state enterprises. Shareholding companies will only be one type.

In the largest group, all except the following two categories of enterprises should be reorganized into shareholding companies: first, defense industries which cannot simultaneously produce civilian goods; and second, special industries such as mints. These two types of industries must continue to be state run.

In the mid-sized group, with the exception of the above two categories, two other categories are included: first, nonprofit industries that exist for the public good can continue to be under state ownership and government management; second, small industries whose production is not highly socialized can, with compensation, have their property transferred to private management.

In the smaller group, with the exception of the above four categories, two more categories are included: first, natural monopolies; and second, giant industries which have a major influence on the national economy as a whole. These two categories of industries can continue to be under state ownership and enterprise management.

4. The Ways and Means of Reorganizing State Enterprises Into Shareholding Companies

Representatives at the forum presented two alternative programs:

First, gradual reorganization.

They specifically described five methods: (1) New enterprises which obtain their funds in a variety of ways could be run as shareholding companies with corporate holdings as soon as they begin operation; currently existing joint ventures and jointly run businesses must be governed by the requirements for shareholding companies. (2) Outmoded enterprises undergoing technical transformation, when using foreign funds or collecting funds from domestic corporations or individuals, could decide to issue shares while they were being reorganized into shareholding companies. (3) In the process of merging, forming horizontal conglomerates, or developing enterprise groups, enterprises could use their tangible and intangible assets to invest in shares while reorganizing into shareholding companies. (4) At the same time equal

amounts of shares are being exchanged between enterprises, both parties could reorganize into shareholding companies. (5) Part of the property of a small, select number of qualified enterprises could, with compensation, be transferred to domestic and foreign investors while being organized into shareholding companies.

Gradual reorganization presents fewer problems with respect to the present system, and it is relatively stable. However, it would take a long time before the shareholding system would be organized.

Second, repackaging share ownership.

First, set up a certain number of companies to manage state-owned assets and, in coordination with reform of the social security system, set up a certain number of foundations, such as retirement, unemployment, and medical insurance foundations.

Next, evaluate on a set basis the assets of state enterprises in terms of shares and then distribute the share ownership to the companies managing state-owned assets and foundations, allowing them, as shareowning representatives, to hold shares of state enterprises.

Last, after it is clear who the shareowners are, reorganize the state enterprises into shareholding companies according to the requirements of the shareholding system.

The advantage of this method is that the shareholding system can be organized in a relatively short time. However, it presents major problems with respect to the present system. Its actual operation would be quite difficult and it requires a comprehensive and coordinated structural reform.

Representatives at the forum were of the opinion that organizing state enterprises into shareholding companies must be based on the realities of China's situation. It should mainly be accomplished through government organization, planning, and encouragement. It should be carried from the top down, and the principle form should be the limited liability company comprised of publicly owned holdings.

5. Establish a Highly Efficient System for Operating and Managing State-Owned Assets

In organizing state enterprises into shareholding companies, the government must be required to separate the functions of social administration and ownership and set up a system for administering and operating state-owned assets. This could be divided into three levels: first, administrative departments for state-owned assets; second, managerial organizations for state-owned assets; and third, boards of directors for shareholding companies.

First, administrative departments for state-owned assets and the scope of their functions.

Administrative departments for state-owned assets would be essentially government organizations whose chief functions would be to study and formulate rules and regulations, policies, systems, and methods for administering state-owned assets to ensure that they remain secure and appreciate in value and to keep social objectives from eroding enterprise profits. As government organizations, administrative departments for state-owned assets could not directly manage these assets.

There are three views concerning the level at which administrative departments for state-owned assets should be set up: The first holds that state-owned assets should be delineated as all belonging to four levels of government—central, provincial, municipal, and county. To implement this arrangement, administrative departments for state-owned assets should be set at the four levels. The second view holds that ownership of national assets cannot be carved up between various levels of government. However, different levels could hold different levels of management responsibility. To implement this, it would only be necessary to set up an administrative department for state-owned assets at one level of government, with each local level setting up management organizations. This would ensure that national assets would remain intact and that their management would be uniform with respect to policies and regulations. The third view holds that where it is necessary to set up management organizations for state-owned assets, provinces, autonomous regions, and municipalities directly under the central government could also set up administrative departments which would serve as agencies of the state administrative department for state-owned assets.

Second, management organizations for state-owned assets and the scope of their functions.

To ensure that state-owned assets steadily appreciate in value, they must be utilized and managed. However, as government organizations, administrative departments for state-owned assets could not directly manage. As a result, management organizations would have to be set up. The chief responsibility of management organizations for state-owned assets, which, in effect, qualify as enterprises, would be to ensure that the assets steadily appreciate.

Management organizations for state-owned assets mainly comprise the following three categories: first, specialized holding companies for managing state-owned assets; second, group companies made up of enterprise groups; and third, various types of public organizations such as foundations and insurance companies.

The authority of these organizations for managing state-owned assets is limited to the exercise of shareholder ownership interest. For example, they send representatives to companies in which the government has shares to organize, along with other shareholders' representatives and boards of directors. Dividends, which are

distributed according to the number of shares held, are paid to the administrative departments for state-owned assets. Management organizations for state-owned assets can, through shareowner representatives, make their views known at meetings of the board of directors. However, they cannot act as "the superior" of a shareholding company and directly command its operations.

Third, the board of directors of shareholding companies and the scope of its functions.

The board of directors in essence represents the owners within the enterprise. It is composed of representatives from management organizations for state-owned assets and from other shareowner representatives, and representation on a board is determined by the number of shares a shareholder has.

The division of authority in shareholding companies between the owners and managers is strongly mirrored in the division between the function and power of the board of directors and those of the general manager. Major issues in a shareholding company must be discussed and decided by the board of directors. However, its members cannot, after the meeting is adjourned, interfere with how the general manager carries out his responsibilities.

The foreign representatives were generally of the opinion that an enterprise's efficiency and its economic results and the success or failure of the shareholding system would have a direct bearing on how efficient the operations of the administrative departments for state-owned assets and managerial organizations would be and whether or not the representatives for state's shareholding interest on the company's board of directors could fully discharge their responsibilities. For this reason, we have to resolve a twofold question: First, we must strictly limit the functions of administrative departments and managerial organizations for state-owned assets to the authority of shareowners. They can act only as shareholders in a shareholding company. They cannot act as "the superiors" of the shareholding company. They cannot act as enterprise administrative departments of the government now do in controlling the production and operations of the shareholding company. Second, those representing the shareowning interest of state-owned assets who are sent to the shareholding companies must submit themselves to competitive elections with the possibility of losing. This makes use of competition to encourage them to discharge their responsibilities to the fullest extent possible. And as further encouragement, we must make use of worthwhile rewards and heavy penalties.

Development of Market System, Suggestions

91CE0731C Beijing JINGJI CANKAO BAO in Chinese
30 Jul 91 p 4

[Article by Zhou Diankun (0719 3013 2492) of the Industrial Finance and Trade Institute of the Sichuan

Provincial Academy of Social Sciences: "Problems and Solutions Concerning the Development of Market System in China"]

[Text] Current Situation and Problems in the Development of China's Market System

In the past 12 years, along with the growth of the new economic system and the development of the commodity economy, the unified market of China has had a certain degree of growth. First, the economic network and market system consisting of "strips" and "belts" along rivers, coastal lines, and major railroads have sprung up and developed. Second, border area markets and inter-provincial horizontal economic integration and market system have sprung up and developed. The Northeast Economic Zone centering in the seven cities in the middle area of Liaoning and the Shanghai Economic Zone centering in the megalopolis of Shanghai, Ningxia, Hangzhou, Suzhou, Wuxi, and Changzhou have formed a multi-level market system network that covers the entire area and links to all parts of the country. Third, inter-regional trade has had a certain degree of development, and an initial form of circulation pattern has been formed. Under this exchange pattern of capital and technology, energy resources, raw materials, and labor flow from central, western, and northern areas to eastern areas of China, while processed industrial goods flow from eastern areas to central, western, and northern areas of China.

While achieving these positive results in the development of China's market system, some noteworthy problems have also arisen: 1) Regional blockade and departmental barriers are serious. Trade wars centering on the "panic buying," "anti-panic buying," "dumping," and "anti-dumping" of undersupplied raw materials and oversupplied commodities have been going on continuously between regions. 2) Due to irrational administrative intervention, trans-regional horizontal economic integration has developed slowly and its organizational structure has been very loose. 3) In regard to opening up and foreign trade, coastal provinces and regions have frequently conflicted with inland provinces and regions, failing to establish an unclogged foreign trade channel. 4) Regional industrial structures are similar, the formation of economic technology improves slowly, and the regional division of labor has fallen in a stage of low-level stagnation and confusion. 5) The economic gap between the eastern area of China and the central, western, and northern areas has been enlarged, and the ability of accumulation, investment, and development is substantially different between the two areas. The occurrence of these problems has destroyed the overall coordination of economic development in China and reduced the overall effect of resource distribution. This is very unfavorable to achieving the second goal of China's development strategy, and needs to be solved in a timely manner.

Analysis of Restricting Factors in the Development of China's Market System

Causes for the restricting factors of China's market system are as follows:

The market of administrative division suppresses the market of economic zone. Currently both old and new systems exist in China. On the one hand, due to the growth of the new system and the development of the commodity economy, the open regional market has had a certain degree of development. On the other hand, the closed market of administrative division attached to the old system still exists. The two systems overlap, coexist, and conflict with one another in the area and space of prefectures, cities, autonomous counties, provinces, municipalities, and autonomous regions. In recent years, the rise of local protectionism has worsened the blockade and barriers in the market system.

The main body of the market is weak. China has not really implemented the system that separates government functions from enterprise responsibilities, most enterprises are still closed in regard to property organizations. Plus the fact that the system of property rights is imperfect and that the productive factors market is underdeveloped, it is very difficult for trans-regional enterprise groups and market organizations to develop. Due to the lack of a stable and lively main body of market, international trade appears to be loose and sluggish.

The relation of comparative interests is distorted. An irrational pricing system was formed in China in the past. Although several adjustments have been carried out since the reform, because price relation returned to the way it was before, the irrational pricing system has not been corrected once and for all. As in the past, the prices of farm products are still lower than the prices of industrial products, and the prices of energy and raw materials are still lower than the prices of processed and manufactured goods. This irrational pricing system and the integration of industrial space and structure of "developing industry in the east and agriculture in the west," "developing light industry in the east and heavy industry in the west," and "developing heavy industry in the north and light industry in the south" have distorted the relation of comparative interests between provinces producing raw materials and provinces engaged in industrial processing. This has not only caused trade friction between regions but also resulted in similar industrial structures.

Local governments' activities are not regulated. The financial contract system has made local governments become the general representative of the bodies of interests in their administrative jurisdiction. Because the central government delegated too much power to local governments and local governments failed to delegate enough power to enterprises, local governments have become the main body of regional administration possessing many real powers. With two capacities concentrated in one body, some local governments have become

the main body of authority enforcing "local protectionism." Under the condition of distorted relation of comparative interests, the easiest way to protect local interests is to restrict the outflow of undersupplied commodities and productive factors and to stop competitive outside commodities from entering the local market. The current achievement evaluation system continues to reinforce this motive and behavior of local governments. Consequently, market fragmentation has become unavoidable.

The macroeconomic control has weakened. China is a large country where economic development is very uneven between regions. Regional trade friction will continue to exist for a long time, the only difference is the degree of intensity. Opposing market fragmentation and seeking coordinated regional development is a long-term task of the Chinese Government. Following the reform in the course of transition from the old to the new systems, the power checking and balancing mechanism used by the central government on local governments was destroyed. However, the new checks and balances mechanism, anti-blockade rules and regulations, and macroeconomic regulation and control means needed to coordinate regional relations have not been established and perfected, resulting in the weakening of macroeconomic regulation and control and causing the central government to be unable to check local governments' activities in regard to blockade and division.

Suggested Solutions for Accelerating the Development of China's Market System

We should establish and perfect the system of property right, cultivate trans-regional market organizations, and develop the market of inter-regional productive factors. We should formulate relevant rules and regulations, define the commodity qualifications of various productive factors and enterprise property right and the permissible scope of circulation. We should establish and perfect unified rules and regulations for the transaction of property rights, encourage the mergers of enterprises and the exchange of productive factors between regions, and provide the necessary basis for the system of property right for the growth of enterprise groups and the development of productive factors market. Through such measures as developing horizontal inter-regional economic integration, encouraging enterprise mergers, organizing enterprise groups, and experimenting with stock companies, we should cultivate a powerful and lively main body of market and enable it to become the backbone of the development of inter-regional trade. We should develop the economic network consisting of "strips" and "belts" along rivers, coastal lines, and major railroads as well as border area markets to open up further regional markets.

We should vigorously carry out the pricing system reform, establish a rational system of price relations and the price formulation system, correct the distorted relation of comparative interests between regions, gradually eliminate the root of interest mechanism that caused

market fragmentation and similar industrial structures between regions. The basic orientation of the price reform is to gradually increase the prices of farm products, energy, raw materials, and transportation to rationalize the relation of prices between them and processed and manufactured goods and gradually change the price control system under which "the prices of primary products are controlled while the prices of finished products are decontrolled" to ensure that most basic industrial products and the raw materials of farm products have fixed market prices under the state's macroeconomic regulation and control and that prices become a flexible lever in regulating regional economic interests.

We should reform the financial contract system and regulate the activities of local governments. We should replace as soon as possible the financial contract system with the tax diversion system, extricate local governments from the status of "regional patriarch," and weaken their status as the general representative of the main bodies of interests. We should reform the achievement evaluation system used by the central government on local governments, rationally divide and define the limit of authority and duty of local governments, reestablish a checks and balances mechanism needed for the central government to regulate and control local governments, establish and perfect anti-blockade rules and regulations, regulate and restrict the activities of local governments, and guide them to become rational. We should gradually change the regional economic management system so that it is dominated by economic regional control rather than administrative divisional control. We should fully develop the regulatory and control functions of central cities and promote the development of first-class regional markets and a unified national market.

We should establish a scientific regional policy system and strengthen the macroeconomic regulation and control ability of the central government. First, we should reestablish, in accordance with the demand of the new system of the planned commodity economy, the checks and balances mechanism needed for the central government to regulate the power of local governments and increase the ability of the central government to correct the errors of local governments' activities. Second, we should properly adjust the overly decentralized pattern of distribution of national income, increase the ratio of financial and material resources controlled by the central government, improve the method of use of central investment and state subsidies, regard the development of leading industries of all economic zones as the key link, and accelerate the coordinated development of regional economies.

National Forum on Theories of Market System

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[Article by staff reporter Liao Yi (1394 5669): "The Initial Form Has Appeared but Many Problems Still

Exist—A Review of the Third National Forum on the Theories of Market System"]

[Text] The Third National Forum on the Theories of Market System, which was sponsored by the Financial and Trade Institute of the Chinese Academy of Social Sciences [CASS] and the Chinese Market Society, was held in late June in Chengdu City. Over 70 representatives hailing from across the country conducted heated discussions and made proposals centering on such issues as current conditions, obstacles, and countermeasures of China's market development.

Current Conditions of Market Development and Overall Assessment

Most representatives thought that in the past 12 years the development of market has always been an important content of China's economic reform. At present, unified national market has made a certain degree of development. We may say that the socialist market has taken initial shape. However we must not ignore problems in the development of market. First, the overall regulation and control system is still ineffective in regard to methods and means, causing market development to lack stability and continuity. Second, market fluctuates too much, resulting in a temporary buyers' market and a prolonged seller's market. Third, the main body of market, which assumes sole responsibility for profits and losses and operates independently, is still unavailable, and enterprises are still unable to take part in market competition. Fourth, market organization and structure are imperfect, and the small scale and the irregularity of the market have increased the cost of transaction. Fifth, regional blockade and departmental barriers are serious. Sixth, the development of market of productive factors, especially financial market, lags much too far behind.

Several Obstacles in the Development of Market

Most representatives thought that obstacles causing China's market to develop slowly include theoretical and policy- and system-related factors. First, the theory of market development still lags behind the development of economic situation. Currently, the theoretical circle still suffers from "a fear for market" (namely "a fear for capitalism"). Second, certain errors arising in the course of formulation and implementation of macroeconomic policies have caused bad policy effects on the orderly development of market. Third, in the financial system, the imperfection of the enterprise contract system has weakened the market orientation of enterprise production and management, and the local financial contract system has worsened regional blockade and market fragmentation. In the monetary system, confusing policy-related system with management-related monetary system has hindered the formation of the status of monetary enterprises and other producers and managers as the main body of market.

Market Development and Macroeconomic Control

Some representatives thought that the wording of "combining the planned economy with market regulation" is inappropriate. They thought that it would be better to say "combining the regulation by plan and the regulation by market" because the relationship between the planned economy and market regulation is not dialectical. They are two different kinds of concepts. Although it is difficult to combine the regulation by plan and the regulation by market, it is not impossible to do so under the condition of socialism.

What kind of macroeconomic control does market development need? One view thought that excessive macroeconomic control is a main factor hindering market development, so it is better to have as little macroeconomic control as possible or to simply do away with it. Another view thought that we should not set market development against macroeconomic control and that we should instead coordinate and combine the two. This can be explained as: The regulation by market is spontaneous; the regulation by plan is conscious. The question is not whether or not macroeconomic control is necessary. The question is how to do it. Macroeconomic control should change from direct to indirect control, use less administrative means and more economic means, and follow the law of development of the commodity economy.

Unified and Regional Markets

One view held that regional market can spur the development of unified market, and the former is the basis of the later. Another view held that regional market is a form of regional blockade and it hinders the development of unified market. The third view held that regional and unified markets develop in tandem, discussing regional market alone has no practical meaning because the two are one thing, and when a unified market is established, regional markets will appear automatically.

Most representatives contended that currently China's regional markets do not conform to the law of the commodity economy, they are based mainly on administrative divisions, and they hinder the development of a unified market.

How do we handle the relation between unified and regional markets? Most representatives contended that a unified market is regional in nature (namely the coverage of commodities), a regional market should cover several adjacent provinces and regions instead of being limited to one province, and regional markets should be interconnected to each other. To establish regional markets, we should establish a profit coordinating and complementary mechanism to benefit every party and help develop regional division of work and economic development. Regional market should not be closed. It is not a subsidiary of the unified market. Instead, it is an organic component of the unified market.

QIUSHI on Building Socialist Economy

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[Article by You Lin (2589 2651): "Basic Requirements for Building Socialist Economy with Chinese Characteristics"]

[Text] Comrade Jiang Zemin's speech at the meeting marking the 70th anniversary of the founding of the CPC summed up, from the high plane of theory, the fighting course of our party over the past 70 years. It also scientifically analyzed China's actual conditions and the historical stage it is in, pointing out the solemn mission for communists in contemporary China and calling on all party members to adhere to the party's basic line, unite and lead the people of all our nationalities to advance along the road of building socialism with Chinese characteristics, and build China into a prosperous, democratic, civilized, and modernized socialist country through self-reliance and hard struggle. Conscientiously studying Comrade Jiang Zemin's speech will be of immense significance to our efforts to better understand the meaning of socialism with Chinese characteristics, correctly understand our task and historical mission, and more consciously keep to the correct orientation in future reform and construction.

In this article, I will briefly discuss my understanding of building a socialist economy with Chinese characteristics.

I. Socialist Ownership Structure With Chinese Characteristics

Comrade Jiang Zemin pointed out: "A socialist economy with Chinese characteristics requires that we adhere to socialist public ownership of the means of production as the main form of ownership and allow and encourage the appropriate development of other economic sectors. We should not adopt total public ownership in disregard of the development level of the productive forces, nor should we abandon the leading position of the public economy and practice privatization. We must implement a system of distribution with 'to each according to his work' as the main form, supplemented by other forms of distribution, overcoming egalitarianism on the one hand and preventing polarization on the other, in order to gradually realize common prosperity for all the people. We must establish an economic structure and operational mechanism which are consistent with the development of the socialist planned commodity economy and which combine a planned economy with the use of market forces, giving play to regulation by market forces within the framework of the country's laws and statutes and under the guidance of state plans. We should overcome the defects of the old system's overconcentration and excessive, rigid control while, at the same time, avoiding undue decentralization and weakening of macroeconomic control. We must get a firm grasp on these basic requirements of a socialist economy with

Chinese characteristics, constantly improve the various policies and measures, and gradually modernize the national economy."

Adhering to public ownership of the means of production as the main form of ownership and allowing and encouraging the appropriate development of other economic sectors are basic issues in building a socialist economy with Chinese characteristics.

Marxism maintains that the form of ownership of the means of production occupies an important position in the social production relations. It runs through the production, distribution, and exchange processes and determines the nature of the production relations as a whole. The socialist economic system is essentially different from the capitalist economic system. In the case of the former, the basic means of production are owned by the laboring people. This eliminates the basic contradictions between the private ownership of the means of production and socialized production in the capitalist mode of production and brings about the integration of laborers and the means of production. Marx and Engels pointed out more than a century ago that, after smashing the state machinery of the bourgeoisie, "the proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, that is, of the proletariat organized as the ruling class, and to increase the total of productive forces as rapidly as possible." (*Selected Works of Marx and Engels*, Vol 1, p 272) The task in their programmatic "Communist Manifesto" was to declare the inevitable death of modern bourgeois ownership. Subsequently, in "The Civil War in France," Marx further stated that "the means of production are owned by the society" and are at the disposal of a unified working class. In "Anti-Duhring," Engels argued with ample proof that, in the future, society as a whole would be the sole owner of the means of production.

These expositions by the founders of Marxism clearly pointed out for us the most basic objective to be achieved by socialism in the economic realm. However, individual countries must proceed from reality to work out how this objective is to be achieved. In their development of the social productive forces, Russia after the October Revolution, and some of the countries which emerged victorious in the socialist revolution, all fell far short of the level required to fully achieve the above mentioned objective. China before nationwide liberation was even more backward than Russia at that time. The productive forces were poor and development was uneven. Although tremendous changes have taken place after decades of construction, this state of affairs still has not been thoroughly put to an end. Today, large-scale automated production exists side by side with manual labor. We have enterprises with modern equipment but then again, many enterprises are still using fairly backward, even very backward, equipment. This determines that rather than adhering to whole-people ownership alone, we must also devote major efforts to developing a

collective economy; rather than practicing total public ownership, we must allow and encourage the appropriate development of the individual economy, the private economy, Chinese-foreign joint ventures, cooperative enterprises, and foreign-owned enterprises.

The PRC Constitution stipulates: "The state economy is that sector of socialist economy under ownership by the whole people; it is the leading force in the national economy." Ensuring the leading position of the economic sector under whole-people ownership is the objective requirement for development of the productive forces. In our country, quite a large proportion of the productive force is already quite highly developed and socialized. These productive forces require socialized ownership, that is, ownership by the whole society (whole people), otherwise the two will not go well together. The leading position of the economic sector under whole-people ownership is, fundamentally speaking, determined by the leading position of socialized production.

We must uphold the leading position of the economic sector under whole-people ownership primarily because this sector belongs to the whole people and all its activities are for their interests. In the past, the scope of whole-people ownership was too wide. While this is something that should be properly resolved through economic restructuring, the key branches of the national economy, that is, the economic lifeline, must still be owned by the whole people. If, contrary to this, we regard collective ownership by the laboring masses as the "best form of public ownership at the present stage" and let this occupy the leading position as some people suggested, there will be sharp conflicts between the socialized nature of production and the partial nature of ownership in society as a whole and a unified socialist economy will be out of the question.

The significance of upholding the leading position of the economic sector under whole-people ownership also lies in the fact that it provides guidance to other economic sectors. Take for instance the sector under collective ownership by the laboring masses. It is not an independent socioeconomic form like the five forms of social economy. As we all know, cooperatives where all members are shareholders and partake in dividend sharing have long been in existence in capitalist societies. Even now, cooperatives of various types still abound in many capitalist countries. They are usually controlled by a handful of big shareholders. Particularly worth mentioning is that since their operation is invariably subject to capitalist production and circulation, they are "collective capitalist organizations" by nature although there is basically no antithesis between labor and capital within these entities. In the past, the utopian socialist Robert Owen proposed a plan for the transformation of society through the organization of cooperatives. He even organized a cooperative village in the United States called "The New Harmony." This was dissolved after three years. Reality pronounced the bankruptcy of his "cooperative socialism." By the end of the 19th century, some

people painted a glossy picture of the milk cooperatives in Germany and Denmark, praising them as the panacea for the elimination of capitalism. This view was sternly criticized by Lenin. It is only in socialist countries that the nature of the cooperative economy has finally seen a fundamental change. An important reason for this change is that the basic means of production are now owned by the socialist state, which represents the interests of the whole people, and have close ties with the powerful sector under whole-people ownership. Only when there is a powerful sector under whole-people ownership will it be possible to provide these cooperatives with effective guidance in doing business in accordance with socialist principles and in pressing ahead along the socialist path.

It is precisely because the sector under whole-people ownership has such great significance and such an important role to play in the national economy that we must strive to consolidate and develop it. At present, enterprises under whole-people ownership, particularly large and medium enterprises, are in a poor competitive position because they are saddled with much heavier burdens than other economic sectors in matters like tax. This situation must be changed. Large and medium state enterprises are the backbone of the socialist economy and how well they are run is of decisive importance to the development of the whole national economy and the consolidation of the socialist system. We must try by all and every means to help them overcome difficulties, enhance the external environment, improve enterprise management, and achieve better economic results. We must fully bring into play the role of the party organizations as the political nucleus of these enterprises, uphold and improve the responsibility system of the factory director, wholeheartedly rely on the working class, establish a vigorous managerial structure and operational mechanism for state enterprises by deepening reforms, and conscientiously invigorate these enterprises.

Many forms of production and operation are suitable for the integration of laborers and the means of production within given frameworks. There, laborers jointly own the means of production and independently carry out production and operation. They can make their own decisions in all important matters. This is what the sector under collective ownership by the laboring masses is about. The collective sector is an important component of the socialist public economy. In the rural areas, the sector under collective ownership by the laboring masses should be the main economic form. In the cities, this economic form is better suited to those trades where production is less socialized. Production and construction ventures in many spheres, particularly the service trades, may be collectively run by laborers in a manner suited to local needs. In the rural areas, as in the cities, the collective sector has ample room for development and efforts should be made to encourage, guide, and help them. In the light of actual conditions, we have universally implemented the household contract responsibility system with remuneration linked to output in the rural

areas, and achieved remarkable results. This system must be upheld for a long time to come. At the same time, we must improve and perfect the dual system which combines unified with independent management, actively develop a social services system, and gradually expand the collective economic strength. This is an objective requirement for the development of the rural economy.

Ownership by the whole people and collective ownership constitute socialist public ownership of the means of production in our country. They form the basis of our socialist economic system. What we mean by adhering to the socialist public ownership of the means of production as the main form of ownership, is that we must take ownership by the whole people and collective ownership by the laboring masses as the main form of ownership of the means of production. On this premise, we should allow and encourage the appropriate development of the individual economy, the private economy, and the three types of wholly or partially foreign-owned enterprises, so that these can function as useful supplements to the public economy. Before the Third Plenary Session of the 11th CPC Central Committee, we unrealistically developed enterprises which were large in size and had a high degree of unadulterated public ownership. This not only adversely affected the development of the productive forces and reduced job opportunities but also caused great inconvenience to the people. This state of affairs has seen great improvements these last 10 years and more but, in the days to come, efforts must still be made to appropriately develop various nonpublic sectors.

The individual economy is an economic sector under private ownership but it has personal labor as its basis. In other words, it has the integration of independent personal labor and personal labor conditions as its basis and, as such, is essentially different from the capitalist private economy which exploits others. Even the private economy, which is basically capitalist in nature, can still play a beneficiary role as a supplement to the socialist public economy under existing conditions in China. Its existence and development should therefore be permitted within given limits. Of course we should also see that as private economic sectors, they invariably have their negative influence and we must not allow them to take their own course and develop in an unlimited way. Our policy is to encourage their positive development within the limits prescribed by the state while resorting to economic, administrative, and legal means to strengthen management and guidance. In other words, we must bring their positive role into play while curtailing their negative influence which is not conducive to the development of the socialist economy.

The appropriate development of Chinese-foreign joint ventures, cooperative enterprises, and foreign enterprises can make up our shortage of funds and is conducive to the importation of advanced technology and the learning of scientific management experience. The PRC Constitution stipulates that the PRC permits foreign

enterprises, other economic organizations, and individual foreigners to invest in China and to enter into various forms of economic cooperation with Chinese enterprises and other economic organizations in accordance with PRC law. It also stipulates that all foreign enterprises and other foreign economic organizations in China, as well as joint ventures with Chinese and foreign investment located in China, will abide by PRC law which protects their lawful rights and interests. We should create a better investment environment for foreign investors in every way, to absorb as much foreign investment as possible.

The economic sector in the leading position determines the basic nature of a society's economy. In China, only by ensuring the leading position of socialist public ownership and appropriately developing other economic sectors can we ensure the socialist nature and development orientation of our society, promote the rapid development of social productive forces, and enable the vast numbers of laboring people to advance toward common prosperity. Thus, we will not tolerate any attempt to shake the leading position of public ownership, still less practice privatization, because they suggest that the fruits of socialist revolution and construction will be lost, that the Chinese people will once again be subject to oppression by foreign monopolistic capital and by exploiting classes at home, and that the history of China will go backward. A few years ago, people who stubbornly engaged in bourgeois liberalization indulged in unbridled propaganda for privatization. Some of them even spread notions of privatization in a roundabout way and stealthily practiced privatization. This resulted in grave ideological confusion among a good number of people, particularly the young, and problems still await further clarification to this day. We must step up propaganda and education to help people understand that shaking the public ownership of the means of production means shaking the economic foundation of socialism, making it impossible to achieve socialism. This should convince us that we must make a conscious effort to safeguard the socialist production relations based on public ownership of the means of production.

Where the structure of ownership is concerned, two points must be stressed. First, we should conduct thorough and systematic investigation and study in the course of practice and adopt appropriate measures to gradually bring about a rational ratio and scope of development for various economic sectors in the national economy as a whole. Second, we must improve policies concerning such matters as taxation, banking, prices, wages, social security, and the administration of industry and commerce, to guarantee the leading position of the public economy and guide other economic sectors toward healthy development by taking advantage of their positive role and curtail their negative influence. When these two tasks are fulfilled, our reform of the economic system will have made a big stride forward in an important aspect.

II. Socialist Distribution System With Chinese Characteristics

The nature of the ownership of the means of production determines the nature of the distribution of consumer goods. The distribution of consumer goods is but a form of realization of the ownership of the means of production. As Marx pointed out: "Any form of distribution of the means of production is but the result of the distribution of conditions of production themselves." (*Collected Works of Marx and Engels*, Vol 19, p 23) Under the capitalist system, material conditions of production in the form of capital and landed property are controlled by nonlaborers and laborers only have human conditions of production, that is, labor force. Thus, distribution under capitalism necessarily refers to capitalists carving up the surplus value created by workers in proportion to their capital and workers only get the portion that is equivalent to the value of their labor force. Following the establishment of the socialist public ownership of the means of production, the system of exploitation of man by man is eliminated and the concept of "from each according to his ability, to each according to his work" becomes another basic principle and basic system of the socialist economy.

The leading position of the public ownership of the means of production in our country determines that distribution according to work is necessarily the principal form of distribution. However, just as it is as yet impossible for the means of production to be jointly owned by all members of the public within the framework of the whole society as envisaged by the founders of Marxism, it is also impossible, in the distribution of consumer goods, for society as a whole to function as a single distributing unit and distribute goods to all laborers in a unified way as they had envisaged. As economic organizations under collective ownership are owners of the means of production and the products produced, it goes without saying that consumer goods can only be distributed within the respective economic organizations. In the distribution of consumer goods in enterprises under whole-people ownership, it is still necessary for the state to fix a unified wage scale and total wages within a given timeframe in the light of national economic development as a whole. At the same time, there must be necessary links between remuneration for laborers and the operational performance of the enterprises in which they work. In other words, distribution according to work is basically carried out in a unified way in these enterprises. Labor power employment and wage incentive are left entirely to the enterprises themselves. As for small enterprises under whole-people ownership, which are leased or contracted out to be run collectively by laborers, their operational rights are more or less the same as those enjoyed by enterprises under collective ownership. They have complete decisionmaking power in operational matters. After handing over to the state some of the results of their production and operation, they can decide how the distribution of consumer goods is to be carried out.

The practice of distribution according to work will have an important role to play in the consolidation and development of the socialist economy. It links a person's remuneration for labor with his contributions in labor and links his amount of labor with his amount of consumption. He who contributes more to society gets more consumer goods in return. This encourages laborers to dedicate their labor services to society. Those who still retain the bad habits of the exploiting classes and hope to live as parasites are thus compelled to work. By doing more work, laborers can create wealth for society, increase accumulation, and benefit the public. At the same time, they can also improve their own livelihood and benefit themselves. It embodies the integration of laborers' personal and overall interests. Experience over the past years shows that if distribution according to work is practiced, the enthusiasm of laborers will be fully brought into play and the socialist economy will develop more rapidly. Conversely, the enthusiasm of laborers will be dampened and the development of the socialist economy will be hampered. At present, the distribution of consumer goods is plagued by egalitarianism and excesses. This is a problem which demands a prompt solution through further reform of the wage system.

The existence of various economic sectors not under socialist public ownership determines that we cannot adopt total distribution according to work and must adopt other forms of distribution as supplements. Self-employed workers carry out production using their own means of production. After paying tax, the fruits of their labor are entirely at their own disposal. Here, although the principle of more pay for more work and less pay for less work is present, the question of distribution according to work does not arise because distribution of consumer goods does not take place between one independent worker and another. In private enterprises, what employees get is basically the value of their labor, while what employers get is basically the surplus value created by employees, or the value created by outside workers in certain cases. In the three kinds of wholly or partially foreign-owned enterprises, foreign-owned enterprises are capitalist enterprises. As such, distribution is naturally capitalistic in nature. In Chinese-foreign joint ventures and cooperative enterprises, distribution relations are of a dual nature: As far as the relationship between workers and the Chinese partner (including state and collective economic organizations) goes, it is a case of distribution according to work; as far as foreign investors are concerned, what they get is the value of labor. Our policy concerning the distribution of the fruits of production in nonpublic economic sectors is as follows: First, the lawful income of the owners will be protected and overly high income payable to Chinese citizens will be regulated through taxation and other means. Second, illegal operations which reap staggering profits must be resolutely stopped according to law. We encourage some people and regions to prosper before others through honest labor and lawful operations while also encouraging those who prosper first to help those who are still behind. We

advocate common prosperity and strive to prevent polarization. Comrade Deng Xiaoping pointed out: "The aim of socialism is to achieve common prosperity for the whole nation, not to bring about polarization." (*Building Socialism with Chinese Characteristics*, Revised Edition, p 99) Provided that we adhere to the public ownership of the means of production as the main form of ownership and distribution according to work as the main form of distribution while adopting correct policies toward other economic sectors, we will definitely be able to achieve this goal.

III. Socialist Economic Structure and Operational Mechanism With Chinese Characteristics

The planned development of the national economy is the objective requirement of large-scale socialized production. Large-scale socialized production has developed under capitalist conditions. In the wake of the development of the industrial revolution in capitalist societies, social division of labor continues to deepen and the ties between producers become closer and closer. Socioeconomic activities as a whole have become integrated. In other words, production has become socialized. Socialized production requires that we carry out distribution of social labor, including living labor and materialized labor, within the framework of the whole society. However, due to the capitalist ownership of the means of production, whatever supervision and regulation in the process of social production invariably becomes a violation of the property right, right to freedom, and decision-making power of the capitalists. Thus capitalist production as a whole can only continue in a state of anarchy and the distribution of social labor in various sectors of production can only blindly succumb to spontaneous market forces. Because production is divorced from needs, cyclical crises are inevitable. The constant changeover between the stages of "moderate buoyancy, prosperity, overproduction, crisis, and stagnation," as summed up by Marx, have done great harm to the productive forces. Recognizing that the anarchic state of production and economic crises were a chronic malady of capitalism, bourgeois thinkers attempted to resolve the contradictions of the capitalist society through reliance on the bourgeois state to constantly step up economic intervention without touching upon the bourgeois ownership system. This was what the so-called "Keynesian revolution" was about. Keynes tried to prove that even when confronted with the "question of survival," capitalism would still be an "ideal society" if his policy of economic intervention by the state was adhered to. The birth of Keynesianism provided the theoretical basis for economic intervention by the state. Today, some developed capitalist countries are also implementing "economic programs" and adopting economic intervention measures in an attempt to introduce some planning in social production and circulation. The so-called plans implemented by bourgeois states for the purpose of economic intervention mainly seek to provide information to monopoly capital through market forecasting and to influence the policy decisions of monopoly capital

through tax increase or reduction, readjustment of interest rate and credit, issuance of subsidies, and other means. These measures can ameliorate the contradictions between organized production in individual enterprises and the anarchic state of production in society as a whole, but they cannot save the capitalist economy from anarchy. An undeniable fact is that after World War Two, economic crises continued to be a frequent occurrence in the West. In fact, they have been in a state of "stagflation" in recent years. Some bourgeois economists are thus compelled to admit that people are beginning to waver in their belief that "the governments of capitalist societies have the knowledge and the ability to eliminate economic fluctuations and achieve sustained full employment." Why is it that the plans of economic intervention implemented by bourgeois countries have failed to help the capitalist economies steer clear of fluctuations and crises? Ryutaro Komiya, a Japanese economist, had this to say: In Japan, "national economic plans are not binding: No one thinks that he must abide by the figures in the plans or is responsible for these figures." American economist Morris Bernstein said: "In Japan, 'planning' is very much 'for show.' The targets are deliberately over optimistic and are too general to serve any real purpose. Thus, they are deemed to be not really binding on economic policymakers. The same is true for France." (*Economic Planning East and West*, Commercial Press, 1980, pp 243-245) These plans are obviously not the same as their counterparts in socialist countries.

Conscious regulation and control of production, circulation, and distribution in society, that is, of the social economy, is only possible under socialist conditions. The reason is that under socialist conditions, state power and social economy are in the hands of the people. The contradictions between the socialized nature of production and the private ownership of the means of production are eliminated in the main, thereby providing the prerequisite for the unified planning of social production by a single social center within the framework of the whole society. The fact that public ownership of the means of production is the main form of ownership in our country makes it possible for our economy to operate according to predetermined plans in the whole society. It also makes it possible for us to constantly and consciously keep the national economy in basic balance, make rational use of manpower and material resources, truly act in accordance with the law of the economy of time, and refrain from blindly succumbing to spontaneous market forces.

The socialist economy can not only develop in a planned way but must also develop in a planned way. The reason is that this is the only way to ensure normal proportional relations between various sectors of the national economy, and between various links of social reproduction, and ensure the sustained, stable, and coordinated development of the national economy. This is the only way to use our limited funds in those areas of the national economy where they are most urgently needed,

and which are of the greatest importance, and to resolve the most crucial problems in economic development. This is also the only way to correctly combine the interests of different parties in production and distribution.

Our original planning system has many drawbacks, the principal ones being the excessive centralization of rights, rigid control, and the tendency to overlook the law of value and the role of the market when drawing up plans. These are not in keeping with the actual conditions in our country and have adversely affected the development of the national economy. In the years since the Third Plenary Session of the 11th CPC Central Committee, we have gradually come to realize that the scope of planning cannot be too wide and that the degree of planning cannot be too high in the present stage. In particular, we have gradually come to realize that in a situation where diverse economic sectors and diverse modes of operations coexist, we must devote major efforts to developing a commodity economy. With a commodity economy, the law of value will have a role to play and the market will become a regulatory force. Regulation through market forces mainly refers to the realization of commodity value through changes in market supply and demand. If a commodity is oversupplied, its price will drop below its value, and a part or the whole of its value will not be realized. The reverse is also true. This compels the commodity producers to pay attention to changes in market supply and demand at all times and to readjust the orientation of production accordingly in a continuous effort to strike a basic balance between supply and demand, production, and consumption. This kind of flexibility is lacking in a planned economy. Of course, when it comes to the control of aggregate social supply and demand, the readjustment of economic structure and layout, as well as other major economic activities, it is still necessary to rely on planning in the main while taking market supply and demand into consideration. Even in the case of economic activities which are mainly regulated by market forces, such as everyday production and operation in enterprises, technical transformation in general and small construction projects, it is also necessary to adhere to the general guidance of state plans and abide by the law because this kind of regulation is often blind and happens after the event. Otherwise there will be imbalances and fluctuations in economic development. From this, we can see that the combination of the planned economy and regulation by market forces is an all-round combination.

Persisting in combining the planned economy with regulation by the market is a pioneering task. Our task is to try by all and every means to further organically combine the planned economy with regulation by market forces. Experience over the past decade and more shows that the two not only must, but can be combined. On the theoretical level, this possibility springs from the fact that our planned economy and regulation by market forces are both based on the leading position of the public ownership of the means of production. The main body of our

commodity economy is the socialist commodity economy, which is essentially different from the capitalist commodity economy based on private ownership. This determines that we can combine regulation by market forces, which can reflect the requirements of the general laws of the commodity economy, particularly the law of value, with the planned economy, which reflects the special laws of the socialist economy. This also determines that when formulating plans (including mandatory plans which are dwindling in scope), we can consciously apply the law of value and adapt to changes in market and demand and will be able to fully give play to the regulatory role of the market within the framework of the country's laws and statutes and under the guidance of state plans. Furthermore, this also determines that in developing the commodity economy, we can adopt general practices which are consistent with the demands of large-scale socialized production and the development of the commodity economy, but cannot take the road of developing a capitalist commodity economy or allow the national economy to develop blindly through turbulence and periodic crises. On a practical level, through the reforms of the past few years, we have already made some progress and accumulated some experience. Of course this does not mean that we have clarified all misunderstandings and resolved all problems. In this connection, we are still faced with many new problems and we must continue to study and seek specific ways, forms, methods, and measures for further combining the two in order to guarantee the sustained, stable and coordinated development of our economy.

The combination of the planned economy and regulation by market forces is the main target of our economic restructuring and is a feasible policy. It is wrong to think that the formulation "combination of the planned economy and regulation by market forces" is "more abstract" and "more obscure" than the formulation "state—market—enterprise" and that we should do away with the planned economy and stick to regulation by market forces.

Fundamentally speaking, the basic requirements for building a socialist economy with Chinese characteristics are determined by the law which says that the production relations must be suited to the nature and level of the productive forces. They are completely consistent with the actual conditions in our country at the present stage and embody, in one important aspect, the combination of the universal truth of Marxism with the concrete reality of revolution and construction in China.

The productive forces determine the production relations which, in turn, act on the productive forces. We want to build a socialist economy with Chinese characteristics, put it in concrete form, and institutionalize it through reform. We also want to reform the planning, financial, taxation, banking, pricing, wage, and other economic systems because we want to make the production relations and their concrete forms more consistent with the productive forces at the present stage, thereby better promoting the development of the productive

forces and hastening the realization of socialist modernization. In the short term, this means ensuring realization of the second-step strategic objective for the development of the national economy and laying a solid foundation for realizing the third-step strategic objective.

We have learned our lesson in our handling of the question of the productive forces and production relations. Before the Third Plenary Session of the 11th CPC Central Committee, we emphasized that the socialist production relations had opened broad vistas for the development of the productive forces. This was no doubt correct. However, we had also disregarded the actual conditions and thought that the larger the scope and the higher the degree of public ownership the better. For this reason, we blindly went after "large scale and a high degree of public ownership" and often neglected the important task of developing the productive forces and laying a solid material and technical foundation for new production relations. This inevitably affected the development of the productive forces. The Third Plenary Session of the 11th CPC Central Committee resolutely stopped the use of the slogan "taking class struggle as the key link" and shifted the focus of the party's and state's work to modernization around the central task of economic construction. This was a step of immense significance. In the days to come, we must unswervingly take economic construction as our central task and make all other tasks subordinate to and serve this central task.

We made mistakes before the Third Plenary Session of the 11th CPC Central Committee because we divorced from the actual state of the productive forces in our efforts toward "large size and a high degree of public ownership" but, a few years ago, some people went to the other extreme. To them, it seemed that the smaller the size and the higher the degree of private ownership the better. Some even advocated privatization. This is not consistent with the demand to develop the social productive forces. If we do as they say, we will definitely inflict serious damage on the productive forces. Even if we managed to achieve progress for a while, we would ultimately come down again. We emphasize the need to follow the socialist road under the party's leadership, fundamentally because this is the only possible way to develop our social production and bring prosperity to the country and happiness to the people. In short, it is the same old story: Only socialism can save China and it is only under socialism that China can develop.

PROVINCIAL

Hebei Development Outlined

SK0409071191 Shijiazhuang HEBEI RIBAO
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[Outlines of the 10-year program and Eighth Five-Year Plan for the economic and social development of Hebei Province approved at the Fourth Session of the Seventh Hebei Provincial People's Congress on 29 April]

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4. Political Guarantee for Implementing the 10-Year Program and Eighth Five-Year Plan

The outlines of the Hebei Provincial 10-year program and Eighth Five-Year Plan for national economic and social development were formulated according to "the outlines of the PRC 10-year program and Eighth Five-Year Plan for national economic and social development" and "the Hebei Provincial CPC Committee's proposal for priorities of the 10-year program and the Eighth Five-Year plan for national economic and social development"; based on the plans of various prefectures, cities, and relevant departments; and through thorough investigation and overall balance.

1. Foundation for the 10-Year Program and Eighth Five-Year Plan

Over the past 10 years, the province conscientiously implemented the line, principles, and policies as set forth at the third plenary session of the 11th party Central Committee; successfully and successively fulfilled the Sixth Five-Year Plan and the Seventh Five-Year Plan, and made outstanding achievements in the national economic and social development. The achievements were summarized into six aspects as follows:

First, the overall reform of the economic system greatly promoted the development of productive forces. The outstanding achievements in rural reform and the general implementation of the system of contracted household responsibility with remuneration related to output greatly helped promote the development of the province's agricultural production and the overall commodity economy in rural areas. We carried out the urban reform in line with the central link of invigorating enterprises, generally carried out the plant director (manager) responsibility system and the system of responsibility for enterprise management based on contracts. Simultaneously, we also reformed, to varying degrees, the market mechanism and the mechanism for regulating and controlling macroeconomy. The reform in the past decade greatly aroused the enthusiasm on all fronts, particularly among enterprises and laborers; noticeably vitalized the economy; and simultaneously provided valuable experience for future reform.

Second, the national economy developed at a fairly rapid speed. The first target for doubling the GNP was fulfilled two years ahead of schedule. The GNP in 1990 reached 82.67 billion yuan, an annual average increase of 8.8 percent in the past 10 years. The total industrial and agricultural output value reached 146.7 billion yuan, an annual average increase of 10.5 percent. Of this, the agricultural output value increased by 6.8 percent and the industrial output value, 11.7 percent. Except for crude oil, the output of major industrial and agricultural products increased by a big margin. There were some prominent aspects. The total grain output surpassed 20 million tons in 1988 and reached 22.769 million tons in 1990, an increase of 49.5 percent over 1980. The output of cotton, fresh fruit, meat, milk, and aquatic products increased by about 100 percent; that of oil-bearing crops increased by 65.9 percent; the power generation volume and the output of steel and cement increased by about 100 percent; that of plate glass increased by 200 percent; that of soda ash rose from 7,000 tons to 266,000 tons; that of chemical fertilizer increased by 30 percent; and that of yarn increased by 55 percent. The total output value of town and township enterprises in 1990 reached 55.1 billion yuan. Town and township enterprises have become key sectors of the national economy.

Third, a large number of capital construction projects and technological transformation projects were completed and put into operation. This greatly helped expand the economic strength. Over the past 10 years,

the investment in fixed assets reached 126.6 billion yuan. Of this, the investment in state units was 70.9 billion. A total of 144 large- and medium-sized capital construction projects, and technological transformation projects with funds not covered in the investment quota were completed and put into operation. Panjiakou and Daheiting reservoirs and 68 farm products bases were completed in succession. A large number of power plants, including Xingtai, Duohe, Shangan, and Shaolingzi power plants; Kailan, Xingtai, Handan, and Fengfeng mining areas; Fangezhuang coal washery; and Xishimeng, Heishan, and Bangmoshan iron ores were built, rebuilt, or expanded. Two blast furnaces each with 1,260 cubic meters of installed capacity at Tangshan and Xuanhua Iron and Steel Companies, and some steelworks were rebuilt. Jidong cement plant, the float glass production line of Yaohua glassworks, Tangshan alkali plant, Shijiazhuang kinescope black-and-white glass-type tube project, and a group of technological transformation projects in textile, light industrial, machinery, and electronics spheres were completed. We completed the first-stage project of the Datong-Qinhuangdao Railway, the rebuilding of the railway from Beijing to Shanhaiguan especially for the transport stockpiled coal, the Tuo-Wang railway, the Shijiazhuang railway hub, the Beijing-Shenzhen highway, the Jing-Ling highway, the Beijing-Chengde highway, the Hebei section of the Beijing-Tianjin-Tanggu express highway, the Sha-Dong highway, the first-, second-, and third-stage projects of the coal wharf of Qinhuangdao Harbor, the wharves C and D of Qinhuangdao Harbor, the first-stage expansion of Shanhaiguan Airport, the Shijiazhuang communications hub, and the Shijiazhuang-Tangshan digital microwave project. We also completed the building of such cultural and health installations as the provincial library, the cultural relics warehouse, and the children's hospital. We also built a number of universities, colleges, and secondary specialized schools as well as their subsidiary projects. We also comprehensively completed the restoration of Tangshan which was destroyed by earthquake. Through 10 years' construction, such basic industries as agriculture, energy resources, transport, communications, and raw materials were strengthened; and cultural, health, and educational facilities were clearly improved, thus adding reserve strength for further development.

Fourth, the opening to the outside world witnessed marked progress, and economic and technological exchange and cooperation were expanded constantly in scale. The provincewide economy gradually extricated itself from the close and semi-close state. In 1990, the total volume of foreign export trade was \$1.74 billion, registering a 180 percent increase in 10 years. The province as a whole actually utilized a total of \$427 million in foreign capital, and imported a number of advanced technologies and managerial experiences from abroad. The scale of open zones developed from Qinhuangdao City to 12 counties in Qinhuangdao, Tangshan, and Cangzhou Cities. By the end of 1990, the province as a whole examined and approved a total of

368 enterprises involving foreign investment. The province initially opened up a new prospect in the contracting of projects abroad and in labor service cooperation with foreign countries. Swift and violent progress was made in economic and technological coordination and integration. And a marked increase was effected in the sense of opening to the outside world among cadres at all levels.

Fifth, the development strategy of "invigorating Hebei by applying scientific and technological achievements" was drawn up, and scientific and educational undertakings were strengthened. In the past 10 years, under the guidance of the principle of "invigorating Hebei by applying scientific and technological achievements," our province made great progress in scientific, technological, and educational undertakings. The major scientific and technological achievements of the province which won the awards at or above the provincial level numbered 2,200, of which, some 200 approached or reached the international level. Most scientific and technological achievements were popularized and applied at varying degrees, thus playing a due role in promoting economic development. Big headway was made in all levels and all types of educational undertakings. Primary education was made universal throughout the province. The number of ordinary institutions of higher learning developed from 28 in 1980 to 51. The adult education and the vocational and technical education developed rapidly. The province as a whole cultivated a total of 560,000 graduates of universities, colleges, and secondary specialized schools.

Sixth, the consumption level of residents improved remarkably, and the overwhelming majority of the masses secured a life with enough food and clothing. The people's living standards improved faster than any other decades. The per capita consumption level of the people throughout the province rose from 192 yuan to 680 yuan, showing an actual increase of 6.3 percent on an average every year. The consumption became richer day by day. The pork and fresh eggs consumed by every urban or rural resident rose from 7.6 kg and 1.4 kg to 11.1 kg and 5.5 kg on an average. Marked change was made in clothing, with the color and designs becoming varied and colorful day by day. Television sets, washing machines, electric refrigerators, and other durable consumer goods were gradually popularized in cities and towns, and began entering peasant households. Residents' housing conditions improved remarkably. The per capita housing acreage of urban residents expanded from 4.68 square meters to 9.18 square meters, and that of rural residents expanded from 11.75 square meters to 17.3 square meters. Judging from the overall situation of the whole province, the overwhelming majority of the masses secured a life with enough food and clothing, and began marching towards the better-off level.

The past 10 years is a period in which the province's economy and society have achieved rapid development and the people have obtained the largest amount of practical benefits. This is the outcome scored by the people throughout the province in implementing the

party's line, principles, and policies formulated since the Third Plenary Session of the 11th CPC Central Committee. These brilliant achievements have laid a solid foundation for future development and particularly for fulfilling the second-phase strategic target. However, the province is still facing some problems as it advances, such as prominent structural contradiction in the economy, poor economic results, shortage of financial and material resources, scattered utilization of financial and material resources, insufficient rational economic systems and profits' pattern, rapid growth of population, and serious shortage of water resources, which should be earnestly dealt within the course of conducting its work in the future.

2. Guiding Ideology and Major Target of the 10-Year Program

The last 10 years of the century is a crucial historical period in which our country is making progress in building the socialist modernization. Whether we can maintain stability in politics and fulfill the second-phase strategic target set by the CPC Central Committee in the economy have a direct bearing on the rise and fall or success and failure of the socialist cause and on the future and fate of the Chinese nation. Hebei province encircles the capital of the country and its locality is significant to the capital. Therefore, it is extremely important for Hebei province to maintain stability in politics to promote its economic development. Our province must make full use of its favorable conditions: encircling the municipalities of Beijing and Tainjin and of having a long coast line; relatively abundant agricultural and mining resources; convenient transport; and a solid foundation for the national economy; and should bring its strong points into play to realize the goal of having the province's economy flourish.

In line with the strategic target put forward by the central authorities for the period by the end of this century and by analyzing both the domestic and foreign situation, our province, while resolutely enforcing and implementing in an overall way the series of important guidelines defined at the seventh Plenary Session of the 13th CPC Central Committee in the coming 10 years, will follow the following guiding ideology and principles in achieving economic and social development:

First, by upholding the principle of regarding economic construction as a center, units from top to bottom and departments on various fronts should consciously abide by and render services to the center of economic construction and do a good job in organizing the "great chorus" of economic construction and fighting the "total warfare" of economic construction.

Second, efforts should be made uphold the principle of conducting reform and opening to the outside world, to steadily deepen the reform drive in line with the demands set for developing productive forces and, with the socialist orientation, to enhance economic vitality, to make full use of the province's favorable conditions of

encircling the municipalities of Beijing and Tianjin and having a long coast line, and to expand the range and scale of the open policy to promote the overall development of the province's economy and the improvement of the province's quality.

Third, we should uphold the principle of enabling the national economy to achieve sustained, stable, and harmonious development; make all-out efforts to readjust the industrial structure; steadily increase economic results; and maintain the adequate economic growth.

Fourth, we should persistently implement the "strategy" of having science and technology make the province flourish, give prominence to the work of promoting scientific and technological progress and developing education, vigorously concentrate our efforts on the popularization and application of advanced technologies and managerial experience and on the training and employment of talented personnel, and should truly shift the economic construction onto the track of relying on scientific and technological progress.

Fifth, we should persistently follow the road of becoming wealthy, allow or support a number of persons and localities to first become wealthy through honest labor and legal operation, and encourage the people who have first become wealthy and the localities which have achieved development in their economy to support the poor households and areas, particularly helping the people on the highlands and mountain areas to get rid of their poor status and become wealthy.

Sixth, we should persist in simultaneously grasping the building of socialist spiritual and material civilization, and enable all sorts of social undertakings to coordinately develop with the economy. While unceasingly improving the material life of the urban and rural residents, we should further enrich and vitalize their spiritual life, and stimulate the people across the province to participate in socialist modernization construction undertakings.

Seventh, we should persist in promoting the spirit of relying on self-efforts, engaging in arduous struggle, building up the country through thrift and hard work, working with a will to make the country strong, and making progress with united efforts, display the advantages of Hebei, and accelerate the pace of economic development.

In the next 10 years, the overall tentative plan for our province's national economic and social development is to persist in taking economic construction as the central task, making scientific and technological education play the lead, and focusing on readjusting the economic structure and raising efficiency, to make continued efforts to deepen reforms and expand opening up, to activate agriculture to a new stage, to raise the industrial intensive-processing level, to achieve basic improvements in the financial situation, to raise the overall national economic quality to a new level, and to enable

the GNP to quadruple that of 1980 and the people's livelihood to reach a comparatively well-off level by the end of this century.

The major fighting objectives are:

(a) We should noticeably increase the overall national economic balance. On the premise of actively raising the economic efficiency and optimizing the economic structure, the province's GNP should show a steady annual average increase of more than 6 percent. If calculated in terms of present 1990 prices, the GNP should reach 148 billion yuan by the end of this century. If adjustments are made for inflation, the GNP should be more than four times the 1980 figure of 21.92 billion yuan. The total industrial and agricultural output value should be 280 billion yuan, showing an annual average increase of 6.7 percent or so. Of this, the total agricultural output value should reach 50 billion yuan or so, showing an average annual increase of 3 to 4 percent; the total industrial output value should reach 230 billion yuan, an average annual increase of more than 7 percent.

(b) We should greatly strengthen the momentum for economic development. The original value of the additional fixed assets during the next 10 years should be valued at 160 billion yuan, which is 1.4 times the original value of 114.4 billion yuan of the fixed assets accumulatively established during the 41 years since the founding of the country. We should noticeably improve the conditions of water conservancy projects, and strive to make the acreage of fields with stable yields despite drought and excessive rain increase from 31.4 million mu to 60 million mu; make the output of grain, cotton, and oil-bearing crops reach 27.5 million tons, 1 million ton, and 1.1 million tons respectively. We should strive to make the installed power capacity reach 14.26 million kw; the power output reach 77 billion kwh; and the output of pig iron reach 11.3 billion tons; steel, 10 million tons; rolled steel, 8.35 million tons; cement, 18 million tons; plate glass, 15 weight boxes; soda ash, 700,000 tons; ethylene, 115,000 tons; chemical fibers, 180,000 tons; and agricultural chemicals, 25,000 tons. The overall industrial quality should be greatly enhanced, the production technology of major products should attain the international level of the 1980's, and the national economy should be gradually changed from extensive type to intensive type.

(c) We should rationalize the economic structure and further develop the potential industries. The proportion of primary industry should drop from 27.3 percent in 1990 to 21 percent or so, that of the secondary industry should be basically maintained at the present level, and that of tertiary industry should rise from 24.6 percent to 30 percent or so. We should further strengthen major industries, enable the agricultural sector to basically meet the needs of developing the national economy and raising the livelihood of the people, and remarkably alleviate the tense situation in the supply of energy and raw materials. The proportional relations among all trades and professions and within enterprises should be

rationalized, and the intensive-processing level of products should be raised. It is necessary to rapidly develop burgeoning industries, and enable the industrial set-up to grow more modernized.

(d) We should make transportation and telecommunications facilities more convenient. After the construction, expansion, and renovation of the Beijing-Jiujiang Railway, the second line of the Datong-Qinhuangdao Railway, the railway transporting coal from Shenmu, and other railways, the Beijing-Shenzhen Highway and some dozen other highways, the three harbors of Qinhuangdao, Tangshan and Huanghua, and the three airports of Shijiazhuang, Tangshan, and Qinhuangdao, and the construction of the optical fiber telecommunications cables around Beijing and Tianjin, the local telephone switchboards of more than 1 million circuits, and the provincewide economic information exchange network; we should establish a fairly complete network for comprehensive railway, highway, air, and waterway transportation and a fairly complete post, telecommunications, and information exchange network by the end of this century. The province's total volume of cargo transportation by various means should increase from 680 million tons in 1990 to 940 million tons, and the business transactions of post and telecommunications services from 560 million yuan to 1.6 billion yuan. Our transportation, post and telecommunications, and information service should be basically compatible with economic development, and should provide favorable conditions for the province to open in all directions and to further carry out the modernization drive.

(e) We should achieve comprehensive development in the regional economy. With a marked improvement in the investment climate, coastal areas should bring their economy, which is dominated by the export-oriented economy, to a new period for development. With the construction of the Huanghua Harbor, the completion of the Beijing-Jiujiang Railway, the operation of the Huangbizhuang, Hengshui, Huanghua, and other power plants, and the completion of the project to divert water from south to north, the vast plain areas in central and southern parts of the province should gradually accelerate their economic development in both urban and rural areas. With the continuous development of resources, highland and mountainous areas should enable their peasants to eliminate poverty, and to gradually change from a life of merely having enough food and clothing to a fairly comfortable life. Some of these localities should enable their people to lead a fairly comfortable life.

(f) We should achieve a marked improvement in the deteriorating ecological environment. Improvement of the ecological environment in the highland areas, tree planting in areas around Beijing and Tianjin and in Taihang Shan, and construction of shelterbelts around farmland in plain areas and in coastal areas should be by and large completed, and tree covered areas should rise from 15 percent in 1990 to approximately 25 percent. Industrial pollution should be controlled and reduced,

with the industrial waste water treatment rate rising from 54.2 percent in 1990 to approximately 65 percent, the waste gas treatment rate rising from 76.4 percent to approximately 83 percent, and the environment of key cities, tourist areas, and major rivers notably improved.

(g) We should coordinate the development of economic construction with the development of social undertakings. Science, technology, and education should develop by leaps and bounds, and a good mechanism linking science and technology closely to the economy basically take shape by the end of this century. The overall efficiency of agriculture created through technological progress should be increased from the current 30 percent to approximately 60 percent. Illiteracy among young and middle-aged people should be basically eliminated, the nine-year compulsory education should be made universal in urban areas and 90 percent of rural areas, and jobs should be provided to nearly 1 million graduates of colleges and secondary specialized schools in 10 years. Basic cultural facilities should be improved, and mass sports activities greatly developed. Medical conditions should be further improved to ensure that primary health care programs are provided to everyone. The socialist spiritual civilization should be raised to a new level, the ideological and cultural fronts further consolidated and developed, and socialist democracy and the legal system improved.

(h) We should improve the people's life to a fairly comfortable standard. We should by and large bring the inordinately large population growth under control, keep the province's total population within 69 million, and keep the average annual population growth within 11.43 permillage by the end of this century. In 10 years, the consumption level of urban and rural people should increase by more than 3 percent every year, the quality and pattern of their consumption of clothes, food, daily necessities, and means of transportation and their housing conditions should be further improved, their health level raised, the social service facilities and social security systems continuously improved, and their spiritual and cultural life further enriched.

There are four most important objectives as set forth in the requirements of the aforementioned plan: In the next decade the GNP should increase by more than 6 percent annually on average; the total population should not exceed 69 million people by 2000; the per capita share of grain should reach 400 kg; and the per capita GNP should exceed 2,100 yuan.

3. The Eighth Five-Year Plan

A. Major Tasks, Targets and Priorities

According to the arrangements of the party Central Committee, we should continue to improve the economic environment, rectify the economic order, and deepen reforms in the first year of the Eighth Five-Year Plan period; and we should strive for improvement of

the economic environment and rectification of the economic order. After that, we should continue to improve the economic environment and rectify the economic order in the course of development and strive to make greater headway in readjusting the production setup and deepening the economic structural reform. In the Eighth Five-Year Plan period we should use the existing foundation fully and work on technological transformation among old enterprises. Simultaneously, according to the state production policies and the province's advantages in natural resources, we should develop key construction projects with a good plan, intensify economic management, upgrade the quality of enterprises, and lay a good foundation and accumulate forces to realize the second strategic objective by the end of this century.

The major targets for the national economic and social development in the Eighth Five-Year Plan period are as follows:

The economy should develop in a sustained and steady manner. The GNP should increase by 5 to 6 percent annually. If calculated in terms of the 1990 prices, the GNP in 1995 should reach 108 billion yuan. The total industrial and agricultural output value should increase by 6.2 percent annually and reach 198 billion yuan in 1995. Of this, the total agricultural output value should increase by 3 to 4 percent annually, and reach about 41.5 billion yuan in 1995; and the total industrial output value should increase by 7 percent annually and reach 156.5 billion yuan in 1995.

The financially strained situation should be improved. In 1995 the local revenues should exceed 11 billion yuan and increase by more than 5 percent annually. After making up the previous deficits, we should strike a balance between revenues and expenditures in 1995.

The investment in fixed assets should increase with each passing year. The preliminary investment in fixed assets should be 120 billion yuan in the Eighth Five-Year Plan period, an increase of 33.5 billion yuan over the figure of 86.5 billion yuan in the Seventh Five-Year Plan period. Of this, the investment in state units should be 65 billion yuan, an increase of 16.3 billion yuan over the figure of 48.7 billion yuan in the Seventh Five-Year Plan period. A total of 13.60 million mu of high- and stable-yield farmland should be added. Priorities should be given to the technological transformation of more than 1,000 enterprises.

Economic results should increase noticeably. The consumption of energy resources for production per 10,000 yuan worth of GNP should be reduced by 3 percent annually on average. The per capita labor productivity of society as a whole should increase by about 4 percent annually on average. The per capita labor productivity of state-owned industrial enterprises should rise from 15,333 yuan to about 20,000 yuan. The general benefit targets of various production and construction spheres

and the economic and technological targets of all professions and trades should generally increase. Industrial enterprises should annually develop more than 1,000 new products.

The scale of opening the province to the outside world should continuously be expanded. In the Eighth Five-Year Plan period, we should strive to use \$600 million foreign capital (excluding the portion transferred by the central authority). In 1995 the total volume of exports for foreign trade should rise from \$1.74 billion to \$2 billion. Excluding the crude oil and coal export volumes covered by the central export plan, the export volume should increase from \$1.26 billion to \$1.7 billion. The number of export and foreign exchange earning enterprises should increase from 569 to 1,000, and the number of enterprises involving foreign capital should strive to increase from 368 to 1,000.

Scientific and technological progress should play a noticeably important role. By 1995 the proportion of the overall agricultural benefits from technological progress should increase from 30 percent to more than 45 percent. The factors for increasing the output value of state-owned industrial enterprises through technological progress should rise from 30 percent at present to more than 40 percent.

Urban and rural life should be gradually raised to a fairly comfortable standard. The actual consumption level throughout the province should increase by approximately 3 percent every year to reach 800 yuan per capita in 1995 in terms of 1990 prices, and the backwardness of poverty-stricken areas should be notably changed.

Population growth should be controlled more effectively. By the end of 1995, the province's population should be kept within 65.9 million, and the average annual natural population growth 13.48 per thousand.

These Eighth Five-Year Plan targets can be summarized as "six excesses and six reaches."

Six excesses means that in the five years the province's accumulated amount of fixed asset investment should be 120 billion yuan, high- and stable-yielding farmland should increase by 13.6 million mu, the number of industrial enterprises where technical transformation is a priority should exceed 1,000, that of the enterprises serving as export bases should exceed 1,000 by 1995, that of the enterprises in the "three forms of ventures" should exceed 1,000, and that of new products developed every year should exceed 1,000.

Six reaches mean that in 1995 the province's GNP should reach 108 billion yuan, industrial and agricultural output value 198 billion yuan, revenue more than 11 billion yuan, volume of exports \$2 billion, per capita productivity of state industrial enterprises approximately 20,000 yuan, and urban and rural people's consumption level 800 yuan per capita.

To attain these targets, our work should focus on the following 10 aspects in the Eighth Five-Year Plan period: We should 1) greatly strengthen agriculture, and raise agricultural production to a new stage; 2) broaden resources and reduce consumption to gradually alleviate the shortage of water resources; 3) continue to strengthen basic industries and construction of infrastructural facilities, renovate and improve processing industry, and develop other industries in a coordinated manner; 4) make great efforts to improve quality, variety, and efficiency to notably improve industrial quality as a whole; 5) facilitate scientific and technological progress, strengthen education, and coordinate the development of science, technology, and education with economic development; 6) intensify construction of key projects to enhance the capacity for sustained economic development; 7) open wider to the outside world and develop foreign trade, foreign capital utilization, and economic and technological cooperation more effectively; 8) strictly control population growth, greatly raise the population quality, intensify efforts to protect resources and environment, and continuously improve people's standard of living; 9) conscientiously achieve success in increasing revenues and reducing expenditures to improve the strained financial resources; and 10) greatly intensify building of the spiritual civilization and make social undertakings develop in coordination with economic development.

B. Production Priorities and Geographic Distribution of Economic Development

During the Eighth Five-Year Plan period, we should achieve marked progress in the following three aspects in economic construction.

First, we should make our industrial structure more rational. By strengthening basic industries, such as agriculture, water conservancy projects and energy, transportation, telecommunications and raw material industries, and the construction of infrastructural facilities, we should raise the technological level in the production of processing industry, especially light and textile industries, in a planned manner and according to established priorities. Thus, the province's industries with advantages in resources and foundation will be further strengthened, agricultural development will be compatible with the overall economic development and the improvement in people's living standard, the development of processing industry will be compatible with the development of basic industries, and the overall efficiency of the economy will be fully developed.

Second, we should equip and renovate traditional industries and the existing enterprises with advanced technology, so that the competitive edges of their products will be increased notably. We should take the industrial policy and domestic and foreign market demands as a guide, expand production chiefly by upgrading technology and improving management, actively adopt new technology and new measures, update old equipment,

pay more attention to the standing and quality of our products, improve product quality, and intensify processing.

Third, the layout of productive forces will tend to become reasonable. In line with the principle of linking trades with products and optimizing the disposition of natural resources, we should make overall plans and reasonably divide up the work in order to effectively promote the coordinated development of the regional economy. We should do a good job in organizing trans-regional and trans-professional lateral economic integration and coordination. We should gradually work out a pattern under which the enterprises producing brand name, high quality, special, new, and high-tech products play a leading role. We should develop other enterprises, under which the coastal open areas and the economically developed cities bring about the comprehensive economic development of other areas.

(a) Greatly Strengthen Agriculture, and Raise Agricultural Production to a New Stage

During the Eighth Five-Year Plan period, the general tasks for the province's agricultural development are: Continue the rural reform, stabilize and perfect the rural basic policies, and enhance the peasants' initiative in production; increase funds, materials, and scientific and technological input in enterprises; improve agricultural production conditions; improve agriculture's comprehensive production capacity; give prominence to developmental agriculture in the course of performing conventional agriculture; increase the per-unit yield, quality, and economic efficiency in order to gear agricultural development to the demand of improving the national economy and the people's living standards; and develop and expand the strength of collective economy, and guide peasants to follow the road of common prosperity.

We should continue to further rural reform. The household-based output-related contract production responsibility system should be stabilized and improved in light of respective conditions and production characteristics of various localities. Where possible, all localities should develop the appropriate-scale business based on voluntary participation of peasants. The newly reclaimed land should be under centralized management as much as possible. Rural reform should be aimed at positively developing the socialized service system. We should strengthen and perfect the two-tier management system which combines the peasants' household contract production responsibility system with unified social services in order to link the superiority of collective economy with the initiative of peasants' household management. We should continue to popularize and develop group contracting of agricultural technology with the participation of technological personnel, leading cadres, and materials departments. We should strengthen the service functions in the fields of technology, fund, goods and materials, information, operation and management, and marketing of products. At the same time, we should depend on the development of production and on the

self-accumulation of collectives to develop and expands the strength of collective economy, and to establish and perfect the collectively run service organizations of various townships and villages. After three years' work, we should first basically perfect the collectively run service organizations at the village level and gradually realize the standardization of services. Through the development of the two-tier management system, which combines the peasants' household contract production responsibility system with unified social services, we should gradually give rise to a socialized service system under which higher and lower levels are linked, crisscrossed, and coordinated with each other, with county-level functional departments as the supporter, with township- and village-level cooperative economic organizations as predominant, and with various kinds of people-run service organizations as the supplement.

We should continue to persist in the principle of never relaxing grain production and positively developing diversified businesses; work on readjusting the agricultural structure; and promote the all around development of agriculture, forestry, animal husbandry, sideline production, and fishery. As of 1995, the proportion of the cropping industry should drop from the current 68 percent to 66.5 percent, while the proportion of forestry, animal husbandry, sideline production, and fishery should increase from 32 percent to 33.5 percent.

In the cropping industry, we should explore ways to get high yield, high quality, low consumption, and high efficiency. First, we should ensure the steady growth in sowing acreage and output of grain, cotton, and oil-bearing seeds, and should appropriately handle the relations between grain and cotton and between summer grain and autumn grain. The ratio between the acreage sown to grain and cotton should be maintained at roughly 8 to 1. The cultivated land occupied by grain should be stabilized at 67 million mu, and the acreage sown to grain should be kept at 100 million mu or more. The cultivated land occupied by cotton should be stabilized at 12 million mu, and the acreage sown to cotton should reach about 15 million mu. We should make full use of the province's advantages in its natural environment and natural resources to increase the multiple crop index, to increase application of organic fertilizer, to improve the soil, to concentrate on increasing per-unit yield, and to increase the gross output. In 1995 output of grain, cotton, and oil-bearing seeds should rise from 22.76 million tons, 570,000 tons, and 740,000 tons in 1990 to 24.5 million tons, 800,000 tons, and 900,000 tons respectively. On the prerequisite of ensuring grain and cotton output, we should appropriately develop the crops used for animal feed and other cash crops.

Forestry. By regarding the work of planting trees for the shelter belt as the main task and vigorously improving the ecological environment, we should, in line with the local conditions, develop in a planned manner timber, commercial, and firewood forests on the mountainous and highland areas and along the hills among farm fields. We should shift our commercial forest development

from the plains to mountainous areas, hills, and sandy waste land. Through efforts made in the Eighth and Ninth Five-Year Plans periods, we should basically fulfill the major projects of building the shelter belt system, such as greening the vicinities of the capital, greening the Taihang mountain, planting trees for building the shelter belts of plains and farmland as well as of coastal areas, and improving the ecological situation on the highland; and we should lay a foundation for reaching the target of completely greening Hebei Province within 15 years. Efforts should be made to build 10 million mu of bases of commercial timber; the production bases of fruits, such as pears, apples, dates, walnuts, grapes, and others; and the bases of forest by-products and special products as well as of sericulture. We should enforce the laws and regulations, including the "forest law," and more realistically protect and manage forestry resources. During the Eighth Five-Year Plan period, we should plant 22.5 million mu of trees and strive to increase the forest area from 15 percent to 20 percent by 1995.

In animal husbandry, during the Eighth Five-Year Plan period, our development orientation of animal husbandry is to gradually extend the large-scale operation while actively supporting thousands of thousands of households to raise animals and poultry, to rationally utilize the resources of fodder and fodder grass, and to build pastoral farms producing both fine-quality grass and grains. Efforts should be made to enforce the principle of raising hogs and poultry and of raising more cattle, sheep, and rabbits. Attention should simultaneously be paid to raising herbivore animals on the highland and mountainous areas and on the plains. While upgrading the quality of animals and poultry and the rate of popularizing the mixed fodder, we should vigorously utilize the crop straw, cottonseed cakes, and the resources of grassland. Efforts should be made to actively develop the strains of animals and poultry, which are in short supply in markets, and we should try for great results in raising them so as to relatively upgrade the quality of animal products. We should continuously enhance the building of production bases of commercial animal products; particularly do a good job in research, development, and production of fodder; and should gradually establish the production system with a combination of work of breeding stocks, producing fodder, raising animals, processing products, conducting purchase and sales, and of rendering technical services. By 1995 the province's total meat output will increase from 1.3 million tons in 1990 to 1.48 million tons. Of the total output, the proportion of beef, mutton, and rabbit meat will increase from 11 percent in 1990 to 13 percent in 1995; the output of eggs will increase from 513,000 tons in 1990 to 545,000 tons in 1995; and the output of fresh milk will increase from 142,000 tons in 1990 to 186,000 tons in 1995.

In fisheries, we should uphold the principle of regarding aquaculture as a main task; of paying attention to aquaculture, fishing, and processing simultaneously; and

of particularly emphasizing production in line with the local conditions; and we should fully develop and rationally utilize the fresh water resources and the resources of shallow seas and beach areas. In fresh water fisheries work, we should emphatically raise fish in large, medium-sized, and small reservoirs; rebuild or tap the potential of ponds with medium and low yields; develop fisheries among the large and medium-sized water surfaces and particularly among the "three reservoirs network" in northern and western mountainous areas; enhance the work of introducing fine fingerlings to increase the output value; and upgrade the production capability of large and medium-sized water surfaces. We should try to consolidate the 60,000 mu of intensive-raising ponds with high yield, to emphatically reform the 150,000 mu of ponds with medium and low yields, to improve the raising patterns, to readjust the component of fingerlings, and to foster 200,000 mu of ponds with high and stable yields. In aquaculture, we should mainly accelerate the comprehensive development of shallow seas and beach areas; consolidate and develop the large-scale raising of shrimp with high yield; popularize the comprehensive raising of fish, shrimp, clams, and kelp; and also accelerate the development of the local aquaculture which can increase the output value and has a high growth rate, requires less investment, and has good economic results. In conducting deep-ocean fishing, we should emphatically upgrade the standards of equipment and technologies and strive to make a breakthrough in the deep-ocean fishing operation. Meanwhile, we should develop associated equipment and service systems for turning out bait, processing aquatic products, and developing cold storage. By 1995 the province's aquatic products output will increase from 219,000 tons in 1990 to 275,000 tons.

We should persistently attend to both conventional agriculture and developmental agriculture. While grasping conventional agriculture, we should pay attention to the overall development and improvement of agriculture. According to the principle of suiting measures to local conditions and giving different instructions to different localities, we can divide the province into four development areas, each having its development priorities. Highland areas should eliminate poverty and seek wealth as soon as possible. They should focus their efforts on grasping ecological construction. They should vigorously develop shelter forests, commodity-oriented animal husbandry, and agriculture to meet their own needs. They should combine forestry with animal husbandry and agriculture to build a highly efficient grassland ecological system. At the end of the Eighth Five-Year Plan period, the per capita share of grain should reach 325 kg and the per capita net income should reach 450 yuan. Mountainous areas should develop farmland capital construction projects emphasizing water and soil conservation, should take the road of developing Taihang Shan, and should import science and technology to make large-scale development and overall improvement. They should focus their efforts on developing a diversified economy in hilly areas, developing

ditches with economic value and small valleys. They should improve the ecological environment and production conditions. While developing agricultural production to meet their needs, mountainous areas should vigorously develop the mining industry and the industries for processing forest fruits, livestock products, and farm and sideline products. At the end of the Eighth Five-Year Plan period, they should realize the target of being self-sufficient in grain and their per capita net income should reach 650 yuan. Plains should focus their efforts on transforming low- and middle-yield farmland and upgrading the overall agricultural production capacity. They should comprehensively improve water conservancy projects, farmland, forestry, and roads emphasizing increased output of grain, cotton, oil-bearing crops, and meat. They should develop high- and stable-yield farmland, explore ways for increasing production, and increase both per-unit area yield and total output. By the end of the Eighth Five-Year Plan period, the per capita share of grain should surpass 375 kg and their per capita net income should reach 900 yuan. Coastal areas should focus their efforts on developing wasteland and beach areas; develop intensive processing of paddy rice, prawns, fish, shellfish, and aquatic products; gradually set up bases engaged in the production of agricultural commodities with potential for creating foreign exchange; and strive to build themselves into areas where the people's living standards are comparatively high. In the Eighth Five-Year Plan period, we should pay attention to grasping four major agricultural development projects: The first is a project for overall development and improvement of agricultural production on plains along Haihe Valley. This project includes plans to transform 12 million mu of low- and middle-yield farmland and open up 1 million mu of wasteland with a view to increasing the output of grain, cotton, oil-bearing crops, and meat, and to increasing the reserve strength for agricultural development. The second is an agricultural development project with loans granted by the World Bank. This project includes a plan for building 10 million mu of quality cotton production bases along Heilonggang Valley and a plan for developing aquatic products and breeding industries along Qinghuangdao and Tangshan coastal areas. The third is an ecological agricultural construction project on highland areas emphasizing the development of afforestation, growing grass, and improving the ecological environment in some parts of Beijing, Tianjin, and Hebei. The fourth is a project for overall development of mountainous areas. The project includes a plan to develop 10 million mu of farmland with the focus on transforming low- and middle-yield farmland, making barren hills and sloping fields green, and growing grass to raise domestic animals, and a plan to comprehensively use and intensively process farm and sideline products.

We should further rejuvenate agriculture with science and technology so as to ceaselessly upgrade agricultural production and comprehensively increase agricultural benefits. We should concentrate efforts on grasping the work in the following four aspects: First, we should

popularize conventional agricultural sciences and techniques. The popularization of fine varieties of major crops should be expanded from 80 percent of the total farmland at present to 90 percent in the Eighth Five-Year Plan period. The application of systematic cultivation technique should be expanded from 37.60 million mu to about 60 million mu. The application of the plastic sheet mulching technique should be expanded from 970,000 mu to 4 million mu. The scientific application of fertilizer should be expanded from 59 million mu to 64 million mu. Simultaneously, we should conscientiously popularize and apply the techniques for preventing and controlling insect pests for crops and diseases for animals and poultry, the optimum techniques for raising animals and poultry, the techniques for intensive breeding of aquatic products, the techniques for increasing the reproduction of inshore resources, the techniques for keeping farm products fresh, the techniques for processing, storing, and transporting farm products, and the applicable techniques for the development of agriculture, forestry, animal husbandry, sideline occupation, and fisheries. The popularization rate of conventional agricultural techniques should rise from 20 percent at present to about 50 percent in 1995.

Second, a good job should be done in overcoming the scientific and technological difficulties in agriculture. Our work emphasis should be placed on breeding new strains that have high yields, fine quality, and strong resistance to disease and on laying a solid foundation for developing grain fields on the plains in near large mountains. Efforts should be made to select or breed new strains of grains, cotton, and oil-bearing seeds, which are drought resistant and suitable to barren and saline-alkali land; to fulfill the task of overcoming the technical difficulty for achieving high yields among dry-land crops; and to pave the way of developing dry-land crops. Third, we should establish or improve the network for popularizing agricultural science and technology, in which the special scientific and technological organs are integrated with the mass scientific and technological organizations. Efforts should be made to enhance the building of scientific research facilities, to upgrade the scientific and technological quality agricultural personnel, to gradually improve the working and living conditions and the pay of these personnel, and to encourage agricultural scientific and technological personnel to go to forefront of agricultural production and to successfully conduct the work of guiding peasants and the mass scientific and technological organizations. Fourth, a good job should be done in holding scientific and technological training classes for peasants. Efforts should be made to vigorously develop vocational and technical education in rural areas; to combine agriculture, science, and education and make an "overall plan" using them; to gradually enable the routine technologies to be popularized to every farm household; and to steadily upgrade the scientific and cultural quality of peasants and the level of agricultural production.

We should realistically increase investment in agriculture. Efforts should be made to increase investment in

agriculture through various channels; while seeking the state investment, to enable local governments at all levels to increase their investments in agriculture; to establish or improve the fund accumulation system of collectively owned enterprises; to actively guide peasants to increase their investments in agriculture; and to successfully organize the enforcement of accumulation labor work. We should vigorously develop industries supporting agricultural production and effectively increase the material supplies for farming operations. In conducting fertilizer production, our work emphasis should be placed on upgrading the proportion of phosphate fertilizer and high-efficiency compound fertilizer; on successfully building the project of 240,000-ton phosphate-ammonium fertilizer plant in Xuanhua city and the project of rebuilding the medium-sized fertilizer plants; and on helping in a planned manner a number of small fertilizer plants change their production to carbamide, phosphate, ammonium, and special mixed fertilizer. By 1995 the province's annual fertilizer output will increase from 1.319 million tons in 1990 to 1.7 million tons. In conducting agrochemicals production, our work emphasis should be placed on urging the existing backbone enterprises to carry out technical renovations, on accelerating the renewal of varieties in line with the need of major agricultural crops of wheat and cotton, and on actively developing biological agrochemicals. The province's agrochemical output will increase from 10,000 tons in 1990 to 20,000 tons by 1995. In conducting farm machine production, in line with the tasks of mechanizing the sowing, harvesting, threshing, and grinding operation, our work emphasis should be placed on developing combined harvesters and associated tools for deep ploughing; on working out ways of making new, light, and flexible products with multiple functions; and on better fulfilling the demands of agricultural production.

We should actively develop meteorological undertakings and vigorously upgrade the capability of rendering services for economic construction and particularly for agricultural production. The meteorological department should further enhance its sense of service, broaden its service fields, accurately offer in a timely manner weather forecast on disasters or crucial events, continuously carry out meteorological service and the work of increasing artificial rainfall and preventing hailstorm, and should continuously upgrade the social benefits of meteorological service and increase economic results. During the Eighth Five-Year Plan period, the province plans to complete the construction of the No.713 radar tower of the provincial meteorological bureau; to organize a radar network in Beijing, Tianjin, and Hebei province; to automatize the operation of receiving, treating, and relaying the radar materials from the meteorological satellite; and to gradually set up a weather forecasting service system with the foundation of numerical weather forecast and with the method of applying various forecasts in a comprehensive way.

(b) Support and Promote the Healthy Development of Township Enterprises

In developing town-run enterprises, we should implement in an overall way the "principle" of actively giving

support, formulating rational plans, conducting correct guidance, and enhancing the management; enhance the management over various industries and trades in line with the state policy on industries; conduct classified guidance in line with the local conditions; do a good job in readjusting the structure; and should seek development while upgrading their quality. During the Eighth Five-Year Plan period, the yearly average increase of the town-run enterprises across the province will reach about 12 percent.

We should persistently let the four wheels—the collective enterprises run by townships, villages, integrated households, and individual households—turn together, with emphasis on developing the collective enterprises at the township and village levels. By carrying out level-by-level management, the province, prefectures, cities, and counties should respectively select a number of township- and town-run collective enterprises that have a considerably large scale of production, good economic and social efficiency, and good prospects of development; and then strengthen management of them, and make support for them a priority so that they will truly become the main pillar of rural economy and will better play a leading role in making rural economy flourish. By 1995 through great endeavor we should make the proportion of the output value of the township and village collective enterprises in the total output value of township and town enterprises increase from the current 43 percent to 60 percent or more. At the same time, we should gradually guide individually run enterprises into becoming integrated enterprises, and should positively popularize the shareholding cooperative economy among integrated enterprises so as to further consolidate and develop integrated enterprises.

We should develop the township and village industry on a priority basis, and should give appropriately special treatment to key and backbone collective industry run by townships and villages. We should select after screening a number of backbone enterprises in a planned and step-by-step manner in different regions, and then give support to them and renovate them in order to improve their professional quality and equipment as well as their product quality and economic efficiency.

We should firmly grasp the technological progress of township and town enterprises, and the readjustment of their product mix. We should encourage and help township and town enterprises to positively link themselves with large enterprises, scientific research institutes, and institutions of higher learning, and to cooperate with them in diverse ways to make up for the deficient technological forces of township and town enterprises compared with the technological forces of society. The newly established enterprises should adopt new technologies and skills as far as possible. All counties should gradually establish a number of enterprise groups that use advanced technologies and whose product quality is high. We should further optimize the product mix of

township and town enterprises. We should emphatically develop the production of the agricultural and sideline products and the local raw materials processing industry, which do not scramble for raw materials and energy resources with large industrial enterprises. We should also emphatically develop the mining industry subjected to the unified planing; the agriculture-aiding industry, which provides materials foundation for agricultural production; the products that exploit the superiority of the labor-intensive industries and the traditional technologies, that coordinate the production of large industrial enterprises in urban areas, that the people need, and that are exported to earn foreign exchange. We should actually look into protecting natural resources and controlling pollution. Those projects that destroy natural resources and cause serious pollution and whose pollution is hard to control should not be initiated. For existing enterprises that cause serious pollution, effective measures should be adopted to control their pollution as fast as possible.

The development of township and town enterprises should be integrated with urban construction. We should guide township and town industries to follow the objective law of industrial development in a planned and well-organized way. We should positively build small industrial zones and strive to build such public utilities as transport, communications, energy resources, and heating systems in a unified manner.

(c) Broaden Resources and Reduce Consumption To Gradually Alleviate the Contradiction in Water Resources.

The shortage of water resources is a major factor hampering the development of province's national economy. Tackling the water problem is important, basic work during the Eighth Five-Year Plan period and during the next decade. Major countermeasures are: Increase input, focus on conserving water, obtain water sources transferred from other localities, pay equal attention to expanding resources and reducing consumption, and integrate utilization with protection.

First, we should firmly apply reduced consumption in order to raise the utilization rate of water. By strengthening propaganda and water conservation throughout society, we should adopt administrative, economic, and legal means to raise the water conservation work to a new level. In agriculture, we should strengthen the farmland capital construction; popularize the canal anti-infiltration technique, spray irrigation, drip irrigation, and dry farming; and should initiate scientific irrigation and water-saving irrigation. During the Eighth Five-Year Plan period, the province will build 44.43 million meters of anti-infiltration field ditches and water transmission pipelines, will develop 125,000 mu of fields available for spray and drip irrigation, will expand the fields available for water-saving irrigation to 20 million mu, and will expand the fields available for dry farming to 10 million mu. We should set reasonable water quotas for industrial consumption and for urban areas, and

make sure that "water is supplied according to plans, and above-quota supply is progressively charged." Key cities should dredge their drainage systems and increase their sewage treatment rate to turn sewage into usable resources. Power, chemical, textile, metallurgical, machinery, and coal industries, which consume large amounts of water, should do a good job in water conservation, increase their water recycling rate, and strengthen management of their own water resources. In 1995 the water consumption for creating per 10,000 yuan of the industrial output value of the cities under the jurisdiction of the province should be reduced from the current 285 cubic meters to 255 cubic meters, and the recycling rate of the water for industrial use should be increased from 61 percent to 65 percent.

Second, we should be active in broadening resources. During the Eighth Five-Year Plan period, in addition to controlling floods and waterlogging successfully, reinforcing dangerous reservoirs, and building water and soil conservation projects, we should continue to sink some shallow wells and medium wells in a planned manner in areas where underground water resources have not been developed, especially areas along the several major rivers; make the best use of rivers, channels, ditches and ponds, especially old river courses, to regulate and store surface water; accelerate the research on the utilization of the water of low salinity; actively take advantage of weather conditions to make rain; and step up construction of the Taolinkou Reservoir to complete it and receive its benefits quickly. In those five years, we should sink 20,000 new motor-pumped wells, renew 230,000 wells, and build auxiliary facilities for 75,000 wells; build 54 new water storage sluice gates in plain areas, renovate the facilities for 30 old irrigated areas of more than 10,000 mu each and for major rivers, and build ditches to support 28 irrigated areas of more than 10,000 mu each; and complete the tasks to reinforce Huangbizhuang and other dangerous reservoirs.

Third, we should make great efforts to build the projects to divert water from the rivers in different areas. Only when we divert water from the rivers in different areas can we solve our water resources problem once and for all. During the Eighth Five-Year Plan period, we should launch the project to divert water from south to north at an early date. We should start it late in the Eighth Five-Year Plan period and make it yield benefits in the Ninth Five-Year Plan period.

While resolving the water shortage of east and central south Hebei, we should give great attention to the water problem of Zhangjiakou and Chengde. We should properly increase the investment in the water conservation projects of Zhangjiakou and Chengde. We should selectively complete water and soil conservation projects, achieve success in improving small valleys, plant trees to conserve water, properly use surface water and rationally develop underground water, and gradually increase the per capita amount of high- and stable-yielding farmland to one mu.

We should strengthen the unified management of water resources. We should do a good job in the rational distribution of the water resources of each river basin and carry out unified regulation and control of surface and underground water. We should strengthen the maintenance and management of water conservancy facilities and include them in the legal system so that the limited water resources of our province can yield greater results.

(d) Continue To Strengthen Basic Industries and Construction of Infrastructural Facilities

Based on our province's resources and needs in economic development, we should continue to strengthen coal, power, metallurgical, chemical, building material, and other energy and raw materials industries and the construction of transportation, telecommunications, and other infrastructural facilities. We should make sure that shortage of electricity is alleviated, the production of some raw materials in short supply is substantially increased, and transportation and telecommunications conditions are further improved by late Eighth Five-Year Plan period.

In energy and raw material industries, we should make development and conservation equally important and, while renovating and building new large- and medium-sized projects in large numbers, do a good job in filling the gaps and tapping the potential of existing enterprises and in the conservation and comprehensive utilization of energy resources and raw materials.

In the coal industry, we should persist in giving equal attention to transforming old pits and tapping their potential and accelerating the construction of new pits. First, we should strengthen the management of existing pits, particularly the management of machinery and electronics equipment; upgrade the mechanization level of tunneling and recovery work and the labor productivity; achieve the objective of tapping the potential of existing pits to increase coal production; and extend the mines' service life. Second, we should grasp the construction of the on-going pits and some new ones, namely Wutongzhuang, [words indistinct], and Nanliuzhuang pits; and ensure their completion and operation on schedule. Third, we should make good preparations for the overall development of Weixian coal field and begin construction of two pairs of large pits, namely Cuijiazai and Danhou, in the Eighth Five-Year Plan period. Through selections, we should rebuild some pits of the local collieries with good mining and transportation conditions so as to stabilize and increase the production of local collieries. The province should increase its raw coal production from 61.91 million tons in 1990 to 65 million tons in 1995.

In the power industry, we should accelerate the construction. We should continue construction of the fifth phase of Xingtai power plant, the on-going Qinhuangdao thermal power plant, and the on-going Shijiazhuang thermal power plant; continue construction of the first phase of Huangbizhuang power plant, the first phase of

Sanhe power plant, and the second phase of Shalingzi power plant; and expand Lanhe power plant. We should continue the pre-phase preparatory projects for Hengshui power plant, the second phase of Shangan power plant, Yixian power plant, and Huanghua power plant; and begin construction of these projects in the Eighth Five-Year Plan period. To save energy resources, increase electricity, and alleviate the gap between supply and demand of electricity, we should continue to encourage the development of the projects for using surplus heat to generate electricity and the construction of the heat and power integrated projects. The rural areas should adopt the method of opening various channels to collect funds and develop small hydropower plants and some other new energy resources. In the Eighth Five-Year Plan period, we should strive to increase 4.11 million kw of installed electricity generation capacity. The province's total installed capacity should reach 10.37 million kw, and its electricity generation volume should rise from 36.46 billion kwh in 1990 to 57 billion kwh in 1995.

In the petroleum industry, at the time of managing old oil wells, we should focus our efforts on strengthening prospecting, seek and expand reserve resources, and accelerate the construction of Jidong oil field. The province's total crude oil production should rise from 4.5 million tons in 1990 to 6 million tons in 1995 (excluding the portion turned out by Erlian oil field.)

In metallurgical industry, we should concentrate our efforts on technological transformation and necessary construction of existing key enterprises to upgrade their overall production capacity. Iron and steel industrial enterprises should concentrate their efforts on developing steel sheets, seamless steel tubes, and quality steel products; and should upgrade their product quality. In production arrangements, we should make overall plans, take all factors into consideration, reasonably make division of labor, and make each and every key iron and steel enterprise give full scope to its special advantages and make its own superior products. We should conscientiously make good preparations for the pre-phase projects for Jidong steelworks and strive to begin its construction earlier. We should continue to build Jinbeizhuang iron ore facility and start the construction of Miaogou and Duoizigou iron ore facilities in order to support the province's metallurgical industrial development with more ore materials. The output of pig iron should rise from 5 million tons in 1990 to 7 million tons in 1995; that of steel, from 3.82 million tons to 5 million tons; and that of steel products, from 2.87 million tons to 4.2 million tons. Of this, the proportion of steel plates, steel tubes, and steel strips should rise from 17 percent to 23.6 percent; and the proportion of quality steel products should rise from 5.2 percent to 15 percent.

The nonferrous metal industrial enterprises should use existing foundations to develop bronze and aluminum production; tap potential of and conduct technological transformation among Shijiazhuang, Maotou, and Baoding aluminum plants; develop precision processing

of foils, plates, wires, and strips as well as the production of products with high added value. We should further strengthen the production of lead, zinc, gold, and silver; and make good preparations for the pre-phase projects for the development of Caijiaying multi-metal mine.

In the building materials industry, we should mainly consolidate and develop the three dominant products—cement, glass, and ceramic sanitary fittings; should support the energy-saving products which utilize waste materials; should develop new building materials products; and should make continued efforts to improve the quality, variety, and distinguishing features of products in order to maintain our superior position and expand export to earn more foreign exchange. In 1995, cement output should increase from 12.3 million tons in 1990 to 16 million tons, that of plate glass should increase from 10.78 million weight cases to 14 million weight cases, and that of ceramic sanitary fittings should increase from 5.77 million pieces to 6.5 million pieces.

In cement, we should focus on grasping the renovation of Handan and Qixin cement plants, on expanding the second production line of Jidong cement plant, and on grasping the pre-phase preparatory projects for the Fuyuan cement plant in Qinhuangdao. We should continue to adopt advanced technologies to renovate local backbone cement enterprises for the purpose of conserving energy, lowering consumption, improving quality, and increasing efficiency.

In glass, we should vigorously develop the deep-processed product series in the course of consolidating and popularizing the float glass production technology. We should strive to newly build the float glass production line, with a daily smelting capacity of 500 tons, of the Yaohua Glass Plant.

In ceramics sanitary fittings, the focus should be placed on improving product quality, developing high-grade subsidiary products, and building north China's ceramics sanitary fittings production base, with the Tangshan ceramics plant and the Tangshan ceramics sanitary fittings plant as the foundation. We should change the structure of fuel, make the use of coal gas universal, improve the quality of ceramics fittings, solve the problem with regard to the low grade of hardware articles, and should supply hardware articles in complete sets. By 1995, we should have a production capacity of 6.5 million sets of ceramics fittings, 7 million square meters of glazed tiles, and 2.5 million square meters of wall and floor bricks.

In partition materials, we should mainly accelerate the production and construction of light, high strength, and large new partition materials which utilize waste materials and conserve energy resources. We should restrict the production of conventional partition materials such as solid clay bricks. We should vigorously develop the production of non-metal mineral building materials such as graphite, marble, and granite.

In the chemical industry, we should, in the course of firmly grasping the production of agriculture-aiding chemical products, vigorously develop the production of the scarce basic raw materials for the chemical industry, and in particular the organic raw materials; and should support the development of the products oriented for export and for earning foreign exchange as well as the precision chemical products with high added value, which are readily marketable. We should primarily build the petrochemical industrial base with the Shijiazhuang Oil Refinery as the foundation. We should develop the organic chemical industry with the "three benzene" and the "three allyl" as leaders. We should build the 115,000-ton Hebei Ethylene and the 50,000-ton Hexanolactam projects. We should build the salt chemical industry base with the Tangshan Nanbao chemical industry zone as the center. We should also develop the salt chemical industry, with "two sodas" as the foundation, and should lay emphasis on building the Tangshan 50,000-ton caustic soda project. We should continue to carry out the pre-phase work for the coal chemical industrial projects in Qinhuangdao, Shijiazhuang, and Handan. By 1995, the proportion of the output value of the basic raw materials for the chemical industry and that of the organic chemical products in the total output value of the chemical industry should be raised from the present 11.8 percent and 13.7 percent to about 15 percent and 23 percent.

In the precision chemical industry, in addition to grasping the Chengde 15,000-ton white titanium project, we should make preparations for the projects of the 300,000-set bias-ply tires of the Xingtai tire plant, the 2,500-ton butyl rubber bottle plugs for medical use to be produced by the Shijiazhuang City No. 1 rubber plant, the 10,000-ton special lubricating grease of Hangu petrochemical industrial plant, the 3,000-ton polyethylene fluoride of the Zhangjiakou resin plant, and the 12,000-ton melamine of the Cangzhou chemical fertilizer Plant. By 1995, output value of the precision chemical industry products in the total output value of the chemical industry should be raised from the present 5 percent to 15 percent.

In geological prospecting, we should follow the principle of "ensuring basic work, strengthening general surveys, conducting detailed surveys on selected better mines, and prospecting by relevant units," persistently take discovery of mineral deposits as the central task, optimize the structure and quicken the pace of prospecting work, and strive for new breakthroughs in the discovery of mineral deposits to make early preparations of mineral resources for the long-term economic development of our province. During the Eighth Five-Year Plan period, we should strengthen chiefly the geological work in service of the development of agriculture and energy, transportation, raw material, and other basic industries; also in service of environmental protection, and particularly do a good job in the general surveys on such resources as petroleum, coal, steel, gold, silver, lead, zinc, good-quality kaolin, diamonds, and phosphorus,

which is urgently needed in our province. We should achieve success in the hydrological, engineering, and environmental geological prospecting and appraisals which serve urban and rural economies, particularly the geological work designed to help poverty-stricken areas eliminate poverty and achieve prosperity. We should strengthen the survey, monitor and forecast of earthquake damages to raise our capacity for forecasting earthquakes and for coping with changes. We should strengthen cartographic work, and establish complete and effective management mechanisms to provide a timely, accurate, and applicable cartographic guarantee for economic construction and social development.

In transportation, post, and telecommunication, we should raise funds through various channels in line with the principle of "working out overall plans, pooling the efforts of different regions and different departments, and assigning responsibility to every level" to gradually build and improve a comprehensive railway, highway, air, and waterway transportation network, post and telecommunications service network, and the information service network. By 1995, the province's volume of cargo transportation by various means should be increased from 679 million tons in 1990 to 745 million tons, and business transactions of post and telecommunications service from 560 million yuan to 1.07 billion yuan, and the strained transportation and telecommunications conditions should be eased.

In railways, while increasing double-track and electric railways and tapping the potential of the existing railways, we should actively coordinate with the state in the construction of new north-south and east-west railways, and build new local railways to meet the needs for local economic development, especially the needs in the construction of harbors and development of mines, so as to improve the distribution of railways. The priorities of our development are to strive to qualify for construction of the Shuohuang coal transporting railway in coordination with the construction of the Huanghua Harbor; to assist the state in the construction of the Hebei sections of the Beijing-Jiulong, Datong-Qinhuangdao, and Qinhuangdao-Shenyang Railways; to pay attention to the construction of the Shawei local railway to prepare for the development of the Weixian Coal Field; and to continue the preparations for the construction of Fengning, Kuancheng, and other local railways designed to help minority and poverty-stricken areas eliminate poverty and achieve prosperity. By 1995, the mileage of state railways within the province should be increased from 3,111 km in 1990 to 3,388 km, and the mileage of the main lines of local railways is planned to increase from 498 to 767 km.

In highways, we should intensify the renovation of the existing highways, raise the technological level in road construction, build a number of new high- and middle-grade highways, improve the traffic conditions of the roads for mixed means of transportation, and increase the mileage of the roads that open in all weather conditions. The priorities of our development are 1) to build

the 437-km Hebei section of the Beijing-Shenzhen Expressway and the 70-km Hebei section of the Shijiazhuang-Taiyuan first-grade motor vehicle highway in active coordination with state's development of backbone highways, 2) to renovate the current six highways to transport coal from Shanxi so that their annual capacity to transport coal from Shanxi will increase from the current 12.28 million tons to 25 million tons, 3) to build highways for cargo transportation to and from harbors and airports in coordination with our development of harbors and airports, and 4) to gradually raise the grade of the roads linking counties and townships to change the backward transportation of rural areas. By 1995, the mileage of the highways of the province should be increased from 43,640 km in 1990 to 45,440 km, and the mileage of the highways of second grade or higher from 3,588 to 4,932 km.

In building harbors, we should vigorously develop and build harbors along the coast line in the province while continuously building Qinhuangdao port. Based on the harbor construction scored during the Seventh Five-Year Plan period, the province will combine the projects of building large, medium-sized, and small harbors; accelerate the projects of expanding the harbors; and increase the capabilities of ocean shipping to meet the needs of delivering coal from the north to the south and exporting the province's sundry goods. The province will continue to build two 15,000-ton berths and one 35,000-ton berth in Tangshan harbor, two 3,000-ton berths in Huanghua harbor, and small harbors at the mouths of the Jian He and Xinkai He; and will seek state funds for building large harbors in the cities of Huanghua and Tangshan. By 1995 the province's number of berths along the coast line (excluding Qinhuangdao harbor) will increase from three in 1990 to 13 and the province's volume of loading and unloading will increase from 400,000 tons in 1990 to 7 million tons.

In establishing civil aviation lines, the province will strive, in line with the need of broadening the province's open policy, to open more air routes connected with key domestic cities or with Japan and countries in West Europe; and do a good job in conducting the work of relieving the operational burdens of Beijing airport. During the Eighth Five-Year Plan period, the province will strive to begin the construction of standard airports in the cities of Shijiazhuang and Qinhuangdao. The province's number of air routes will increase from three in 1990 to 13 by 1995.

In conducting post and telecommunications undertakings, we should accelerate the pace in construction by regarding the province's capital as a center, the coastal areas as a focal point, and the work of fostering comprehensive telecommunications capability as a target. Continuous efforts should be made to build the 10,000-line program-control telephone switch board among 11 prefectures and cities and among a number of counties and to realize the capacity of 600,000-line program-control switch boards throughout the province by the end of the Eighth Five-Year Plan period. We should also accelerate

the pace in building the telephone network of rural areas and carrying out renovations among equipment and enable the capacity of switch boards to reach 260,000 lines by the end of this period. A good job should be done in building communications trunk lines and, while fostering the communications capability by relying on the first-class communications trunk lines to make up the shortage and to coordinate with the operation, in accelerating the pace in building the second-class communication trunk lines in the province. We should successfully expand the capacity of the numerical-control microwave system between the cities of Shijiazhuang and Tangshan and, based on this work, further extend the system. We should also make arrangements for building a communications network which can connect the stations of the key cities of Shijiazhuang, Tangshan, Qinhuangdao, and Handan with the international station in Beijing municipality; open direct international calls; and develop international radio facsimile and of express postal delivery. By 1995 the province's telephone switch board capacity will increase from 340,000 lines in 1990 to 790,000 lines; its rate of urban telephone popularization will increase from 6.5 percent in 1990 to 9.6 percent; its number of long-distance lines will increase from 5,894 in 1990 to 14,431; and the capacity of its long-distance telephone switch boards will increase from 13,905 lines to 31,265 lines.

In developing economic information, our general guideline is to do a good job in fully paying attention to offering laborers information in the field of methods while successfully conducting the autonomous management and regarding the work of offering medium and low technical information as a main task; in the field of work arrangements, while pushing forward in an overall way the information service, to develop the systematic information network along the coast line and among the areas at both sides of railways by regarding this work as a main task; and in the field of service orientation, to provide information on economic analysis and calculation by regarding the work in this regard as a main task and to orient the service to the society as a whole. Our work emphasis should be placed on establishing and improving the information system of the management in nine fields, which directly serve the macroeconomic readjustment and control, and the information system for various industries and trades, which is closely connected with the industrial production. Efforts should be made to complete the building of the province's economic information center, the information center of various prefectures and cities, and the computer communication network of provincial level organs; to accelerate the speed of information delivery; to upgrade the dynamic character of information; to continuously enhance the building of laborers information network; and to actively foster information markets to promote information exchanges.

(e) Thoroughly Reorganize and Renovate Processing Industry To Intensify Processing and Improve Product Quality

In developing processing industry, our work emphasis should be placed on carrying out readjustment and reform among the existing enterprises; on lowering the consumption, upgrading the quality, and increasing the variety of products by adopting new technologies and crafts and using new equipment and materials; and on upgrading the quality as a whole and increasing economic results to ensure the needs of economic construction and of the people's lives.

The textile industry should readjust the product mix to meet the demands of the market both at home and abroad; firmly use natural fibers and chemical fibers to upgrade the quality of products and the products' processing level; expand the products' export and foreign exchange earning capacity; concentrate efforts on developing the production of textile materials, intensively processed products, and products with high added value, such as chemical fibers, quality printed and dyed products, knitted products, and clothes; appropriately develop wool, flax, and silk products; ceaselessly develop new varieties of bright-colored fashionable cloths to suit the people's requirements for clothes and decorations and to meet the industrial needs; and strive to upgrade the products' competitiveness.

The cotton textile industry should focus its efforts on comprehensively conducting technological transformation to upgrade its processing level. In the Eighth Five-Year Plan period, we should keep the 3.75 million spindle production capacity and gradually eliminate some small cotton textile enterprises with poor conditions. In line with the demands of developing intensively processed products, large- and medium-sized cotton textile enterprises should apply advanced techniques to transform and renew existing old enterprises in a well-planned manner and to upgrade the products' world standing and quality. We should encourage and organize large and small cotton textile plants in central cities to conduct cooperation to upgrade the small cotton textile plants' production levels. We should vigorously develop the printing and dyeing, knitting, and clothes trades; attend to the intensive processing of textile products; and increase the proportion of printed and dyed cloths, knitted products, and clothes. It is necessary to set up a group of special textile, knitting, and cotton mills. We should use foreign advanced printing and dyeing equipment to transform a group of printing and dyeing mills so as to suit the demand for small batches and more varieties. The proportion of printed and dyed clothes should rise from 27.5 percent at present to 47 percent in 1995. The proportion of cotton knitted products in the total knitted products should rise from 14.9 percent to 25 percent, and the proportion of output value of the clothes industry in the total cotton textile industrial output value should rise from 16 percent to 25 percent.

We should readjust the structure of raw materials. While vigorously strengthening cotton production, we should focus our efforts on the construction of chemical fiber production projects. In addition to continuing to build a 30,000-ton acrylic fiber project in Qinhuangdao, we

should build a 50,000-ton polypropylene fiber project and a 60,000-ton polyester fiber project in Shijiazhuang, use our province's plentiful cotton velvet materials to build a 20,000-ton viscose fiber project in Tangshan, expand the 2,000-ton polyamide filament production line of Handan polyamide mill, import technologies to develop 4,000 tons of different kinds of chemical fibers. Simultaneously, we should strive to start the construction of the 2,800-ton viscose fiber filament production line at Baoding chemical fiber mill, and the 30,000-ton acrylic fiber project in Shijiazhuang. The chemical fiber production should rise from 25,400 tons in 1990 to 110,000 tons in 1995, and the proportion of chemical fibers in textile materials should rise from 20 percent to 27 percent.

To achieve the development of new textile products and to upgrade competitiveness, we should grasp the following aspects of the work: We should develop a group of products with competitiveness, assimilate and absorb a group of imported techniques and equipment, cooperatively tackle a group of highly difficult scientific and technological problems, and popularize a group of scientific and technological findings. Simultaneously, we should develop 15 series of products. They include high-quality pure cotton products, a series of lining cloth products, a series of special-width textile products, new spinning and weaving machines, man-made silk products, high-quality knitted products, a series of jean products, warp-knitted fabrics, coated fabrics, flax products, man-made woolen piece goods, pure silk products, textile products for industrial use, and auxiliary, dye-stuff, and chemical fiber products.

Under the guidance of state production policies, the light industry should further readjust the structure, consolidate and develop trades and products with favorable advantages, upgrade its world standing, and strive to increase the products' export and foreign exchange earning capacity. Based on this, we should concentrate efforts on developing some products and new categories; pioneer new production spheres; and produce more, better, new, applicable consumer goods so as to satisfy the people's increasingly higher demands and change, as soon as possible, the backward light industrial situation in the province. The priorities are as follows. First, we should consolidate, further develop, and improve a number of highly competitive products, such as carpets, canned food, paper, liquor, and cigarettes, further raise their quality and standing, and expand their production so that they will occupy more space in the market. Second, we should select 10 brand-name, good-quality, special and new products, which sell well in the market, have a solid foundation for their production, and are competitive, to be developed on a priority basis during the Eighth Five-Year Plan period, and concentrate efforts on the technical transformation for their production so that they will become highly competitive products that reflect the characteristics of Hebei, occupy a large space in the domestic market, and are capable of entering the international market. The 10 kinds of products are ceramics for daily use, absorption refrigerators,

and fuses, batteries, multiple-threaded and high-speed wrapping machines, plastic products, leather and leather products, drawnwork embroidery, apricot extract, Weili and Lishijianeng beverages, and nutrients and health foods. These products should be produced on a large scale, and reach first-rated standards of the country. Third, we should develop a number of new products in a planned and selective manner to suit market changes. We should develop 100 to 120 new products and 4,000 patterns every year. The priorities of development are food, goods for interior decoration, kitchen utensils, energy-efficient lamps, and small electric household appliances. The ratio of new products should be raised from the current 9 percent to more than 12 percent late in the Eighth Five-Year Plan period. Fourth, we should establish a number of raw material production bases for light industry. The priorities for development are such basic raw materials as crude salt, tobacco leaf, pulp, TDI [expansion unknown], and natural pigment extracted from plants. Fifth, we should reorganize and renovate a number of enterprises. In line with the aforementioned tasks, we should renovate 300 enterprises on a priority basis, and start, renovate and expand 36 key capital construction projects during the Eighth Five-Year Plan period. We should pay particular attention to the construction and renovation of projects to promote the food industry.

In salt production, we should pay particular attention to the expansion of Daqinghe, Huanghua, and Nanbao salt works in line with the principle of "developing salt and chemical industries simultaneously with salt industry as the main," and actively make use of brine to develop salt chemical industry in Nanbao and Huanghua. We should strive to increase our crude salt production capacity to 5 million tons by 1995.

In ceramics for daily use, the priority is to renovate and expand the plants in Tangshan and Handan that produce well-known and good-quality bone china, white porcelain, blue porcelain, opalescent porcelain, and ivory porcelain, and build them into bases for the export of high-grade ceramics. By 1995, the output of ceramics for daily use should be increased from 400 million pieces in 1990 to 500 million pieces, and the volume of export from 120 million pieces to 200 million pieces.

In the food industry, the priority is to develop the production of natural vegetable beverages, canned foods for export, baby food, and health food. In beverages, the priorities are to build the apricot extract production lines in Chengde, and the Weili and Lishijianeng beverage plants in Shijiazhuang, and to accelerate the research and development of natural vegetable beverages made of haw and sour jujubes. In the production of spirits and beer, the priority is to improve their quality, and create good-quality and brand-name products. Their production scale should not be expanded. In canned food, the priority is to develop asparagus, baby corn, strawberry jam, ketchup, and other canned fruits and vegetables as well as readily marketable canned meat. In cigarette production, we should increase swelled cut tobacco

equipment, cut tobacco production lines, and cigarette packaging equipment. By 1995, the province's beer output should be increased from 433,000 tons in 1990 to more than 500,000 tons, and the cigarette output from 1.186 million cartons to 1.5 million cartons.

In the packaging industry, the priority is to improve the packaging of export commodities and the packaging for transportation. Focusing on the export of food, ceramics, native and special products, and daily cosmetics, we should adopt new technology and new materials to develop stay-fresh wrapping, paper box packaging and other packaging methods so as to reduce damage and increase the added value of commodities and increase the competitive edge of export commodities.

In developing the paper-making industry, our emphasis should be placed on developing the production of paper for education, strong packaging, and high-class toilet paper; and on developing rapid-growth plant fibers as raw materials, including cotton stems, reed, and flax. We should bring under control the development of small paper mills with an output under 10,000 tons of pulp made through the method of adding alkali and popularize the technology of making pulp through the method of adding ammonium. By 1995 the province's paper output will increase from 800,000 tons in 1990 to 1 million tons.

In developing hardware products, based on consolidating the traditional products of wrenches, pincers, hammers, and steel files, we should develop the production of high-quality, high-class electric installation tools, nail-driving tools, car tools, horticultural tools, and explosion-prevention tools; and should carry out associated, combined, and systematic production of these tools. By 1995 the output value on hardware industrial fronts will increase from 50 million yuan in 1990 to 1 billion yuan and their volume of foreign exchange earned through exports will increase from \$15 million in 1990 to \$80 million.

In developing electric household appliances, we should smash the demarcation lines among various industries and trades; make full use of the technical forces in the electronic, defence industry, and machine-building departments; work out ways of developing the production of absorption refrigerators, machines for dry cleaning, air conditioners, efficient energy-saving lamps, and dish washing machines which are suitable to the demands of markets and are leading the production; and particularly should do a good job in developing and producing small electric household commodities.

In developing daily chemical products, our work emphasis should be placed on enhancing the production of cleaning products and raw materials for coordinating with other production; on developing the production of a series of batteries with high capacity and multiple varieties; and on developing the new products for flavoring foods and new perfumes, and cosmetics. By 1995 the province's output of detergent will increase from

40,000 tons in 1990 to 70,000 tons; and its output of batteries will increase from 260 million in 1990 to 350 million.

In developing plastic products, our work emphasis should be placed on developing and turning out plastic products for farming, packaging, and building as well as plastic building materials; on successfully building the bases of plastic raw materials; and on accelerating the pace of building the 20,000-ton TDI plant in Cangzhou City. By 1995 the province's output of plastic products will increase from 77,000 tons in 1990 to 160,000 tons.

In developing daily machinery products, we should develop, in line with the market situation, the production of high-speed wrapping machines, watches, bicycles, and parts; upgrade the quality of products; and increase the variety of products or new products.

In developing leather and fur products and handicraft commodities, we should mainly do a good job in conducting technical renovations among existing enterprises; developing products along the direction of intensive processing, multiple categories, and of high additional value; and on vigorously expanding the exports of leather products, carpets, carved products, and of traditional embroidery products.

In developing the pharmaceutical industry, we should develop the fine quality and high efficiency products which are in short supply by regarding the backbone enterprises as a foundation and antibiotics as the leading product and support the development of key export products which can earn more foreign exchange and of raw materials for coordinating with the pharmaceutical production. Efforts should be made to conduct reform in the conditions of pharmaceutical production, to enable the large and medium-sized backbone enterprises to reach current international pharmaceutical standards, and to adequately develop the ready-made traditional medicines and the production of medical appliances.

In developing synthetic medicines, we should gradually form a series of medical products from starch sugar, antibiotics, semi-synthetic antibiotics, and vitamins; develop antipyretic and analgesic drugs, and other synthetic drugs; and increase the variety of new pharmaceutical preparations. By 1995 the province's output of synthetic drugs will increase from 4,879 tons in 1990 to 6,000 tons.

In developing traditional ready-made medicines, our work emphasis should be placed on conducting reform in the two pharmaceutical factories in Handan and Chengde cities, on developing a series of traditional ready-made medicines, on exploiting tonics and health-care products, and on increasing the production of traditional medicines in tablet form.

In developing medical appliances, we should consolidate the existing routine products, increase the production of key products, vigorously exploit the production of electric-machinery unified medical appliances and the

microwave controlled medical instruments, and should upgrade the modernization level of medical appliances.

In the machinery industry, we should lay emphasis on organizing coordination along specialized lines, on developing superior products, on improving product quality and technological level, and on increasing export and foreign exchange revenues in line with the demand of providing advanced applicable equipment for various economic departments, and the demand of "readjusting product mix, improving enterprise quality, and firmly grasping technological progress." We should enable a number of the products turned out by our province's machinery industrial enterprises to edge into the advanced ranks of the country by adopting such measures as carrying out enterprise reorganization and technological transformation, optimizing structure, pooling the efforts of the army and the civilians, merging machinery and electronics industries into an organic whole, importing technology, and successfully mastering and applying imported technology. By 1995, the output value of machinery products earmarked for export and earning foreign exchange should be raised from the present 5 percent to 10 percent, and more than 60 percent of major machinery products should reach the world level achieved in the 1980's.

We should readjust the organizational structure of enterprises. By breaking with the barriers between different localities and trades, for the purpose of optimizing the disposition of production elements, we should organize large-scale enterprise groups, strengthen cooperation along specialized lines, create competitive products, make the technological equipment of large and medium-sized enterprises form a complete set, and increase the efficiency of the economies of scale. The provincial authorities should emphatically organize, build, and perfect the groups which produce the basic parts of agricultural machines, cars, and bearings. The provincial authorities should also emphatically organize, build, and perfect the ten basic enterprise groups, namely, enterprise groups of engineering and mining machinery, air-cooled diesel engines, high-pressure containers, specialized machine tools, power transmission and transformer equipment, pumps for industrial or agricultural use, the light and heavy refitted motor vehicles, tractors, fittings for internal-combustion engines, and the machinery and electronics instrument and meters.

We should positively develop electronic machinery products. We should organize forces in all fields to conduct technical joint research, with a focus on developing and producing automatic combined machine tools, space self-control garages, cement consecutive weighing-in equipment, the computer-controlled filling machines for beverage tins, the unmanned warehouses, and the automatic conveyer belts.

We should attend to mastering and applying imported technologies. During the Eighth Five-Year Plan period,

major backbone enterprises plan to import 30 technologies from abroad, mainly importing such advanced technologies as the molding line manufacturing technology, and the car interior production technology. At the same time, we should positively encourage enterprises to successfully master and apply imported technologies, with focus on mastering and applying such advanced technologies as the D 6 D bulldozer, the hydraulic drilling engine, the piston friction reconstruction, the sewage pump and dreging pump, and air-cooled diesel engine.

In the electronics industry, we should put it in a conspicuous position of economic development, and concentrate human, material, and financial resources on it to accelerate its development. By making the best use of the advantages of combining scientific research with production, we should increase the production of investment-oriented products in the course of consolidating and developing consumer goods. In particular, we should increase the production of the communications equipment for machinery-electronics products, strengthen research and development of high-tech electronics components, extensively popularize the application of computer technology, and shift the emphasis of development to the orbit of serving various economic departments and serving the renovation of conventional industries. We should successfully utilize the technological forces of various central departments stationed in the province to vigorously develop high-tech industries. During the Eighth Five-Year Plan period, we should mainly grasp the production and construction of the groups of Huanyu, Shimen, computer, and the Zhonghua communication system; and should emphatically develop radio and television products, energy-saving appliances, program-controlled telephone exchanges, communication apparatus, computers, and external installations.

In the national defense industry, we should conscientiously implement the principle of pooling the forces of servicemen and civilians, give priority to ensuring the production of goods for military use, give full scope to technological forces and equipment advantages for enterprises producing goods for wartime use under the guidance of state production policies, and vigorously develop products for civilian use. According to the unified provincial plan, we should vigorously develop superior products with the focus on vehicles, motorcycles, air-cooled engines, duplicators, industrial-use mold centers, and casting and forging centers; pay particular attention to developing products requiring difficult technologies, products in short supply, some products to fill in the gaps at home, export products with foreign exchange earnings capacity, and import substitutes; upgrade the quality and world standing of products; expand the production scale of these products; and strive to ensure that each and every enterprise will develop one or more key civilian-use product and noticeably improve the economic results by the end of the Eighth Five-Year Plan period.

(f) Exert Great Efforts To Attend to Quality, Variety, and Efficiency To Raise Industrial Quality as a Whole

Low-quality products, less competitive products, less superior products, less intensively processed products, products which consumer a large amount of energy resources and raw materials, and show poor economic results are prominent problems in our provincial industrial sphere at present. In the Eighth Five-Year Plan period, we must shift the focus of the economic work onto increasing economic results; exert great efforts to attend to quality, variety, and efficiency; and strive to change this backward situation as soon as possible.

We should conscientiously grasp the readjustment of the product mix. We should put the supply of raw materials and the marketing of products on world markets; concentrate necessary capital, raw materials, energy resources, and transportation forces on supporting the development of key projects; apply administrative, economic, and legal means to strictly control the production of the products to be restricted or banned; and transfer energy resources, capital, materials and goods, and transportation forces to support the development of key products. We should place in the lead new, famous-brand, high-quality, special, and high-technology products; establish associations composed of different enterprises and associations composed of enterprises and scientific research units or institutions of higher learning; and strive to promote an optimum organization of production elements. It is necessary to set up and perfect scientific and technological development systems for industrial enterprises across the province. All large- and medium-sized enterprises should set up scientific research organizations especially to engage in the development of new products. Small-sized enterprises should positively create conditions and jointly develop new products by themselves or in cooperation with scientific research units, universities, and colleges. On the basis of conducting market investigations and visiting consumers, enterprises should work out plans for upgrading and updating products so as to increase their products' market competitiveness. In the Eighth Five-Year Plan period, the province plans to manufacture and develop 2,500 new, national advanced products, with vast market prospects and better economic results. By 1995, readily marketable industrial products should account for 70 percent of the total key industrial products, and the proportion of foreign exchange earnings from the export of industrial products in the province's total foreign exchange earnings from exports should surpass 68 percent.

We should realistically strengthen enterprise management, and conscientiously supervise and support enterprises to strictly administer plants. All enterprises should work out complete sets of rules and systems in the spheres beginning from designs of products to purchases of raw materials, use of materials, manufacture of products, and after-sale service; and gradually ensure that there are complete sets of systems, high standards, and strict examination procedures. We should focus our efforts on upgrading product quality, vigorously conduct overall quality management and overall economic

accountings; strengthen the basic management of standardization, measurement, fixed-quota work, information service, rules and systems, basic education, and work team construction; deeply launch the campaign of upgrading enterprise levels and specialized management standards positively in line with international standards and foreign advanced standards; and also implement the awarding and punishment policies. In 1995, 50 percent of the province's key industrial products should be produced according to the international standards and the foreign advanced standards, the output value of quality products by budgetary industrial enterprises should surpass 38 percent, and more than 85 percent of the major products should steadily upgrade their product quality.

We should vigorously encourage enterprises in technical progress. Efforts should be made to integrate the enterprises' technical renovations with the upgrading of production by continuously and persistently regarding products as the leader, technologies as the foundation, and economic results as the center. We should upgrade the starting point of technical progress in enterprises; use investments in technical renovations for upgrading product quality, increasing the variety of products, lowering the energetic consumption, and increasing foreign exchange earned through exports. We should avoid as much as possible more low production capability. During the Eighth Five-Year Plan period, the province as a whole should do a good job in directing the technical renovations among 2,000 enterprises (including 300 enterprises that have introduced outside funds and technologies under the statute of cooperation and joint venture). Of these enterprises, 1,000 have made technical renovations in major fields and should improve their products quality above the 1980 international level.

We should continue with the "campaign" of increasing production and practicing economy as well as increasing incomes and curtailing expenses. In particular, a good job should be done in saving energy, lowering consumption, and carrying out comprehensive utilization so as to enable the limited energy resources and raw materials to yield still greater benefits. It is imperative to implement the "principle" of simultaneous development and austerity, giving priority to immediate austerity, to practice overall economy, and to enforce the 48 measures defined by the state on saving energy resources and raw materials and conducting technical renovations. In line with the standards fixed by the state or by the ministries concerned, we should set up advanced and rational consumption quotas and the highest consumption limit for major products, establish a system of regular appraisal, improve the guarantee system of lowering consumption, and ensure that the measures for saving energy resources and lowering consumption are implemented. The yearly average decrease in energy consumption per 10,000-yuan industrial output value will reach 3 percent in the coming five years. The decrease by 1995 will be equal to 6.4 tons standard coal and the rate of lowering the consumption of raw materials will be stabilized at 80 percent.

(g) Actively Develop Construction Industry

Construction industry is an important industrial department in the national economy and is assuming a considerable number of tasks: prospecting, designing, building, and scientific research at home and abroad. During the Eighth Five-Year Plan period, we should continuously deepen the reform drive in the construction industry, gradually putting it on the way to healthy development.

We should improve the macroeconomic management over construction industry. A good job should be done in building legal systems in the management of construction personnel, of public bidding and entering a bid, and of the capital and work quality of construction enterprises; and in the supervision of construction projects and their operation and of the quality of projects. While improving the regulations of construction markets, we should also improve the administrative management and supervision of construction work quality, safety measures, the budget quota, the charge and technical standards, and the construction period. We should create a good market environment for the production and operation of construction enterprises.

In line with the demand for the overall upgrading of the quality of construction industry, a good job should be done in building the contingent of construction personnel. During the Eighth Five-Year Plan period, we should mainly consolidate the personnel of the state-run enterprises, support the collectively owned enterprises personnel, improve or upgrade the personnel in rural areas, bring under control the blind development of a personnel contingent, readjust the contingent's structure, and enable the scale and quality of personnel's contingents to be suitable to the development of the national economy.

We should vigorously improve management of construction enterprises and try to upgrade the quality of construction operations and increase their economic results. By relying on the internal reform and the public bidding responsibility system enforced by the construction enterprises and establishments, we should reinforce the vitality of design units and construction enterprises, improve their operation and management, vigorously popularize the advanced and applicable technologies of construction and building materials, vigorously upgrade the quality of design and construction work, shorten the construction period, and continuously increase the economic results of investments. By the end of the Eighth Five-Year Plan period, the qualification rate on the first acceptance test will reach more than 80 percent. Of this percentage, those who are outstanding will reach more than 25 percent or reach or be near to the national advanced level.

We should intensify the scientific research and scientific and technological information exchange work for the construction industry. We should make ceaseless efforts to develop and disseminate the new technology, new structure and new methods for construction, and,

regarding the building materials in short supply, adopt encouraging policies to promote the research and popularization of building material conservation and substitutes. While successfully accomplishing the tasks for economic construction, we should provide more economic, practical and safe houses and public facilities for urban and rural people; and while ensuring the construction of provincial key projects, we should bid for more construction projects outside the province to broaden our domestic and foreign construction market. By 1995, the total output value of the construction industry created by the construction contingent of the province should increase from 9.2 billion yuan in 1990 to 15 billion yuan.

(h) Attach Importance to Development of Commerce, Service and Other Trades of the Tertiary Industry

Making commerce flourish, improving the service trade, and developing other trades of the tertiary industry that serve production and people's life constitute a necessary condition for developing the socialist commodity economy and also an important link in modernizing the industrial structure, raising the efficiency of the economy as a whole, and improving the quality of people's life. During the Eighth Five-Year Plan period, we should fully boost the enthusiasm of the various sectors of the economy and various departments to achieve a fairly rapid development in commerce, service and other trades of the tertiary industry.

In commerce, supply and marketing, and material supply and storage, we should continue to enliven the circulation of commodities, and conscientiously strengthen the macro regulation and control of the commodity market. Departments charged with the circulation of commodities should on the one hand strive to expand the purchases and marketing of industrial and agricultural products, especially local products, support production, and increase the supply of essential products. On the other hand, they should do a good job in balancing supply and demand, stabilize prices, and arrange people's life well. We should further improve the market structure that is composed of various sectors of the economy and dominated by state and cooperative commercial units.

In the circulation of the means of subsistence, we should exert great efforts to organize the purchases and supplies of readily marketable commodities, achieve success in balancing the supply and demand of important commodities, stabilize the consumer goods market, strengthen the purchases and supplies of farm and sideline products, and, concerning such farm and sideline products as grain, cotton and oil that have a bearing on the national economy and people's livelihood, continue the reward sales policies of responsibility for purchases, marketing and allocation and of linking purchases to the supply of the means of production. Regarding other farm and sideline products, state and cooperative commercial units should adopt various methods to do a good job in the contracted purchases, actively participate in the

market regulation, and arrange market supplies well. Commercial departments should actively guide and support the development of local light and textile industries, and adopt various measures, such as holding trade fairs and sales exhibitions, developing joint operation and marketing, and encouraging the cooperation between shops and plants, to increase the purchases and marketing of the industrial consumer goods in great demand that are produced by the province. By 1995, the province's retail sales should rise from 37.93 billion yuan in 1990 to 66.5 billion yuan, averaging an annual increase of 11.9 percent.

In the circulation of the means of production, we should achieve success in balancing the supply and demand of the means of production in line with the needs in economic construction and the possibility in material resources. In particular, we should adopt various measures, such as distribution according to mandatory plans, contracted purchases, linking production units to consumers, fixing the quantity without fixing prices, and free purchases and marketing, to organize and guide the use of the major means of production to ensure the production of key products and the needs of key construction projects. We should do a good job in the supply of the means of agricultural production, with the priority on successfully balancing the supply and demand of good-quality chemical fertilizer, pesticides, plastic sheets, and refined oil. During the Eighth Five-Year Plan period, the province will continue to experience shortages of the resources of the means of agricultural production. In addition to importing a small amount of them from abroad, we should continue to encourage purchases from outside the province.

To ensure a sound progress of commodity circulation, we must realistically strengthen market and goods price management, and safeguard the market order. In the Eighth Five-Year Plan period, we should continue to strengthen the administrative management of commodity circulation enterprises, and ban unlawful peddlars and unlawful companies of various kinds. We should strengthen goods price management, and perfect and also conscientiously implement the goods price management system. It is necessary to perfect the market management rules and regulations; to have industrial and commercial, tax, and price departments, and consumers associations and self-employed workers associations bring into play their functions for conducting supervisions and inspections; and set up and perfect the supervision and examination systems of the state, enterprises, and society.

We should strengthen the construction of infrastructural facilities in the commodity circulation sphere, gradually set up and perfect the commodity wholesale and retail sale networks and goods and materials supply and marketing networks, and upgrade the production and living service capability. We should continue to mobilize all forces to vigorously develop commercial networks according to the unified plan and persistently in line with the principle of pooling the efforts of the state, the

collectives, and the individuals so as to make the arrangements of management items become more reasonable. We should appropriately expand the construction and reconstruction of commodity storage and transportation facilities, and concentrate efforts on grasping the construction of grain depots, freezers, and keeping-fruit-fresh storehouses. We should gradually perfect the infrastructural facilities in the goods and materials storage, packing, transportation, and examination spheres; and apply modern scientific and technological means to promote the development of goods and materials circulation.

According to the requirements for gradually enabling people to become comparatively well-off, catering and service trades and the real estate industry should concentrate efforts on supporting socialized service and vigorously promote the commercialization of houses. We should encourage state-owned enterprises, the collectives, and the individuals to engage in various service trades so as to bring convenience to the people's livelihood and to ceaselessly upgrade the service levels. The number of catering and service centers should rise from 200,000 in 1990 to 266,000 in 1995, and their employees should rise from 520,000 people to 665,000 people. On the premise of strengthening the management of real estate, we should positively support the development and management of real estate industry, carry out the reform of housing system, promote the construction of marketable houses, and strive to promote a sound progress of the real estate industry.

We should fully use our rich tourist resources and advantageous geographic position. At the time of developing the existing tourist bases, we should build a group of new tourist spots; also develop tourist traffic lines and entertainment and necessary reception centers for tourists; develop the production of tourist commodities; comprehensively upgrade the management level and the service quality of the tourist trade; and promote a coordinate development of the tourist trade in the traveling, touring, food, housing, purchasing, and entertainment aspects. Tourist trade should ceaselessly upgrade its competitiveness and also further expand its overall efficiency in promoting economic development. The number of foreign tourists received by the province should rise from 47,000 people in 1990 to 120,000 people in 1995; the tourist trade's foreign exchange earnings should rise from \$5.87 million to \$20 million, the number of tourists from different parts of the country should rise from 15.37 million people to 20 million people, and the tourist trade's income in renminbi [RMB] should rise from 230 million yuan to about 400 million yuan.

To promote the development of the commodity economy and the modernization of the industrial structure, we should accelerate the development of some new industries, such as banking, insurance, consultation, information service, and various technological service industries. Work priorities in the Eighth Five-Year Plan period should include: speed up the development of the

banking market; develop the industry of negotiable securities and new banking and credit means; vigorously develop the social insurance industry; gradually set up and perfect the social service systems to providing for the aged and the unemployed and the social service systems in the aspects of labor injury and medical treatment. It is necessary to positively support the development of accounting, lawyers, engineering consultation, and scientific and technological information services; provide socialized services in consultation and information service spheres; strive to develop repairing service trades and the overall production service trades; strive to promote the turn of technological findings into productive forces; and effectively solve the difficult problems in production and repairing spheres.

(i) Promote Comprehensive Development of the Regional Economy

In line with the overall disposition for the development of the regional economy throughout the country, by proceeding from the distinguishing features of the province, during the Eighth Five-Year Plan period, our province should develop the regional economy in line with the principles of making overall plans, reasonably dividing up the work, making up for each other's weak points with one another's strong points, and each displaying its strong points. At the same time, the province should make full use of advantages of different regions, and give full play to the role of the central cities and towns at different levels to gradually effect the comprehensive development of the regional economy and achieve the common prosperity of various regions.

By fully exploiting their advantages in the economy and natural resources as well as their favorable conditions in opening to the outside world, these areas should open still wider to the outside world, further develop the export-oriented economy, and accelerate the process of rationalizing and modernizing the setup of production. Major tasks are:

By taking full advantage of their superiority in heavy and chemical industries, coastal areas we should accelerate the exploitation of coal, iron, sea salt, oil and gas, and limestone resources; emphatically renovate and develop their energy resources, metallurgy, building materials, and chemical industries; constantly enhance their technological level and processing quality; accelerate the upgrading and updating of their products; and make their products more competitive. At the same time, coastal areas should energetically expand knowledge- and technology-intensive industries in order to gradually modernize the industrial structure.

Coastal areas should continue to vigorously strengthen the infrastructure construction. They should accelerate the construction of Taolinkou Reservoir, Qinhuangdao Harbor, Tangshan Harbor, Huanghua Harbor, and Shanhaiguan Airport in order to gear the construction of

water, power, road, harbor, and communications installations to the demands of economic development and foreign investment.

Coastal areas should vigorously develop the rural economy, and positively and steadily readjust the production setup of rural areas. With a focus on increasing grain and edible oil output, these areas should firmly grasp the production and processing of corn, peanuts, paddy rice, fruit, and aquatic products in line with respective local conditions. They should also vigorously develop the agriculture oriented toward earning foreign exchange, and should adopt positive measures to continuously promote the sound development of township and town enterprises.

Coastal areas should positively develop the export-oriented economy. They should open to the outside world and cooperate with domestic areas in every aspect, should more effectively attract and utilize foreign capital and foreign advanced technology, vigorously develop economic and technological exchange with foreign countries, energetically develop export to earn foreign exchange, and should gradually raise the export proportion of processed products. At the same time, they should exploit their due role in promoting opening-up and affecting the production of inland areas to intensify the overall opening function of the province as a whole.

Central and southern areas in the province should make full use of the existing foundation and scientific and technological advantages to readjust their production setup, product mix, and enterprise organizational structure, and to promote technological progress and further accelerate the development of urban and rural economies. Major tasks are:

Central and southern areas should continue to accelerate the development of the rural economy. In developing agricultural production, these areas should regard the transformation of medium- and low-yields farmland and the improvement in the comprehensive agricultural production as the central task, and should focus their work on increasing the output of grain, cotton, oil-bearing seeds, and meat. These areas should pay attention to carrying out comprehensive development of agriculture, building stable- and high-yield agricultural production bases, steadily readjusting the rural production setup, and positively developing township and town enterprises.

Central and southern areas should strengthen the renovation of conventional industries, such as the textile industry, the medical and medicinal industry, the food industry, the metallurgical industry, and the machinery industry. These areas should also strive to increase the variety of products, improve the quality and grade of products, develop in the direction of the fine processing and intensive processing, and constantly make brand-name and high-quality products more competitive on the world market.

Central and southern areas should energetically strengthen the building of energy resources, the chemical industry, and basic facilities. These areas should speed up the construction of power stations, railways, highways, and communications facilities; and should make good use of their favorable conditions in natural resources to develop the petrochemical industry and the coal chemical industry in order to gradually build up the petrochemical industry and coal chemical industry bases.

These areas should also depend on the scientific and technological advantages of Shijiazhuang, the provincial capital, to build new and high-tech industrial development zones, and to further expand the high-tech industries with the electronics industry predominant. These areas should accelerate the development of such tertiary industries as the banking and insurance services, consulting and information services, and cultural and educational undertakings.

In the economic development of northwest Hebei, we should give different guidance to different localities in line with their specific conditions, and use urban development to promote rural development so as to achieve their coordinated development. Major tasks are as follows:

Based on the current foundation, we should renovate traditional industries with advanced technology, develop on a priority basis the machinery, iron and steel, nonferrous metal, and wool and flax textile industries that reflect local characteristics, and continuously improve their product quality and expand their markets.

We should greatly develop agriculture, forestry and animal husbandry. We should build high- and stable-yielding farmlands to increase our self-reliance in grain supply; plant trees on a large scale, and comprehensively improve the small valleys in mountainous areas in line with specific local conditions so as to improve the ecological environment; do a good job in building grassland to greatly develop animal husbandry; and actively develop the processing of farm and sideline products.

In transportation, we should focus on road construction, increase road density, and raise the technological level. Meanwhile, we should build local railways in a planned manner to gradually improve the regional transportation network.

We should accelerate the development and utilization of energy and mineral resources, with the focus on developing coal and numerous metal and nonferrous metal resources, and continuously raising their comprehensive utilization and processing levels.

In highland and mountainous areas, we should adhere to the aid-the-poor policies emphasizing economic development, further improve the policies, and continuously develop the resources and enliven the economy of these areas. During the Eighth Five-Year Plan period, we should enable the people in the areas that are still poor to

eliminate poverty and to begin to move to a fairly comfortable life after ensuring sufficient food and clothing. Major tasks are as follows:

We should greatly intensify efforts to develop agriculture. We should achieve success in farmland capital construction, improve the production conditions, build high- and stable-yielding farmlands, and gradually achieve self-reliance in grain supply.

Relying on our own efforts supplemented with state support, and relying on scientific and technological progress, we should improve the ecological environment in a planned manner in line with specific local conditions, actively develop township enterprises, and succeed in comprehensive development and processing of resources to increase their value so as to quicken the pace in eliminating poverty and achieving prosperity.

We should intensify construction of the infrastructural facilities, such as water and electricity supplies and road construction, of poverty-stricken areas to further improve their production and living conditions and increase their capacity for sustained economic development.

We should continue to implement and improve the policies designed to support poverty-stricken areas, continue to issue and use well aid-the-poor funds and materials, and do a good job in proving work as a form of relief. We should adopt various measures to strengthen the support of large- and medium-sized cities, prosperous areas and relevant departments to poverty-stricken areas so that poverty-stricken areas can change their backward outlook as soon as possible.

Minority areas should make full use of their respective advantages to greatly facilitate the development of the economic and social undertakings characteristic of their areas. Major tasks are as follows:

We should accelerate the economic development of minority areas. We should adopt various measures, proceed from reality, and develop the local advantage in resources to greatly expand the commodity economy of minority areas.

We should further develop the scientific, educational, cultural, public health and sports undertakings of minority areas. We should greatly train the cadres and specialized personnel of minority nationalities, make the culture of minority nationalities flourish, and improve the medical conditions for them.

We should continue the various preferential policies toward minority nationalities, and support and assist minority nationalities to improve their production and living conditions. Regarding the economic construction of the autonomous counties of minority nationalities, we should give them special consideration concerning the plans for their development projects and the investment

of funds and materials in line with the principle of giving them preferential treatment when their conditions are equal to those of others.

C. Give Prominence to Promotion of Scientific and Technological Progress and Development of Education

(a) Facilitate Scientific and Technological Progress

Facilitating scientific and technological progress and successfully implementing the "strategy" of having science and technology make the province flourish represent the inevitable road undertaken by the province in developing its economy. Various industries and trades should give precedence to the work of facilitating scientific and technological progress, foster their strong sense in science and technology, and create a macro environment for implementing the "strategy" of having science and technology make the province flourish so as to enable economic construction to truly mount the track of relying on scientific and technological progress. During the Eighth Five-Year Plan period, we should concentrate our efforts on successfully dealing with the issue of how to integrate science and technology with economic construction. Our work emphasis should be placed on successfully handling the following aspects: 1) The economic development plan should be integrated with the scientific and technological development plan. 2) The tackling of scientific and technological problems should be integrated with popularizing the results. 3) The scientific and technological development should be integrated with the training of talented personnel. 4) The "strategy" of having science and technology make the province flourish should be integrated with the work of making science and technology flourish. By the end of the Eighth Five-Year Plan period, the factor of technological progress in the total output value scored by the state-run industrial enterprises will increase from 30 percent at present to 45 percent and the number of natural scientific and technological personnel will increase from 353,000 at present to 440,000.

In developing scientific and technological undertakings, we should continuously uphold the "principle" of relying on science and technology to conduct economic construction and gearing the scientific and technological work to economic construction, further deepen the reform drive in scientific and technological systems, and carry out our work by better integrating the economy with the service economy and by vigorously handling the crucial technologies and knotty problems cropping up in economic development. Efforts should be made to regard the development of the national economy as an important task of scientific and technological work and to extensively organize scientific and technological forces to plunge into the main battlefield of economic construction and to follow the road of conducting research and exploration and of integrating the work of introducing outside advanced technologies and of assimilating these technologies with carrying out popularization and application. At present, we should regard as a focal point the work of popularizing the existing

advanced and applicable technologies, gradually facilitate the work of setting up industrial equipment and modernizing the technologies for large-scale production, accelerate the pace of turning scientific and technological results into productive forces, facilitate the rationalization of scientific and technological structure and industrial structure, and enhance the practical strength of science and technology so as to supply reserve strength for economic development.

In tackling scientific and technological problems, we should adopt the "guideline" of having limited targets in mind and making a breakthrough in key problems. According to the technological progress in agriculture, light and textile industry, electric machinery industry, metallurgical industry, and the industries of energy resources, we should mainly study and develop new products, technologies, crafts, and materials; and facilitate technological progress throughout agriculture and industry. We should also give new technological development to a strategic position and actively develop high and new technologies, including the applied technology of computers, biological technology, modern telecommunications technology, and new materials. While rendering service for the technical renovations of traditional industries, we should gradually establish new technical industries with intensive technologies and great economic results. During the Eighth Five-Year Plan period, the province has formulated 76 projects for tackling the key scientific and technological problems, 54 projects for the Torch Plan, 100 projects for tackling the crucial technical difficulties, the project of building 10 experimental production lines, and the project of having 20 districts take up the pilot work of carrying out comprehensive development.

In conducting the popularization and application of scientific and technological results, our work emphasis should be placed on breeding fine strains of farm crops, animal and poultry, aquatic products, and fruits; on developing the planting and cultivating technologies of fine-quality, high-yield, and low-cost crops; on exploiting the technologies of scientific raising; and on developing new technologies of insect pests control. In conducting industrial production, our province should have the advanced technologies with the world standard of 1980's or even higher; the new technologies and crafts of saving energy, materials, and water; new scientific and technological results which can earn foreign exchange through exports; the advanced and applicable technologies suitable for town-run enterprises; and new medical appliances and technologies. The entire province plans to popularize 100 major and important scientific and technological results and has arranged 135 projects for the spark plan in the coming five years. We should actively establish the operation mechanism in which an organic combination among scientific research, development, demonstration, and popularization is made, which also includes the issuance of some mandatory plans for popularizing and applying scientific results.

We should expedite the construction of the Shijiazhuang high- and new-tech industrial development zone. During the Eighth Five-Year Plan period, the development zone should expand its area from the current 3.8 square km to 10 square km, and the priorities for development are telecommunication, micro electronics, integration of machinery and electronic industries, biological engineering, and nuclear application technology. By 1995, the total income from technological development, production and trade of the development zone should increase from the current 187 million yuan to 750 million yuan.

We should intensify research in the basic sciences and focus on research to apply some projects that lead their respective field and can be stored for future use, and that concern agricultural science, biological technology, materials science, and basic medical science closely related with the strategic priorities of our province's economic and social development; and intensify the research on and application of future scientific and technological development, policies on technology, scientific and technological structural reform, modern management, and scientific and technological information.

We should develop science and technology first if we are to "develop Hebei through the application of science and technology." We should respect knowledgeable and trained personnel. We should increase investment in science and technology, intensify the construction of facilities for scientific research, improve the conditions for scientific research, and build a number of key laboratories and production lines for intermediate experiments in colleges and universities, scientific research institutes and enterprises. We should strengthen enterprises' cooperation with scientific research units and colleges and universities, link the overwhelming majority of enterprises to scientific research units and colleges and universities in two to three years, and establish associations of scientific research and production units which cooperate with, support, and promote each other. We should rationalize the managerial system to establish a vigorous and effective mechanism that integrates scientific and technological development closely with economic development. We should further strengthen leadership over the contingent of scientific and technical personnel, enable the contingent to improve itself, conscientiously implement the policy on intellectuals, accelerate the training of scientific and technical personnel, draw them to our work force, and bring up a group of academic leaders in a planned manner so as to expand our contingent of scientific and technical personnel.

In social science research, we should take Marxism-Leninism-Mao Zedong Thought as guidance, strive to probe the objective law governing socialist construction, conduct exploration and research on the important theoretical and practical issues concerning the province's economic and social development, reform, and the

opening up and building of the two civilizations, continue to eliminate the influence of the ideological trend of bourgeois liberalization, and distinguish right from wrong concerning ideology and theory. During the Eighth Five-Year Plan period, focusing research on application, we should conduct research mainly on the strategic issues concerning the province's future economic, scientific and technological, and social development, issues on establishment of an economic operation mechanism designed to raise efficiency, issues on rural economic development and rural construction, issues on the coordinated development of population and economic and social development, issues on the mutual promotion of the spiritual civilization and the material civilization, and issues on opening to the outside world in all directions. While intensifying research on application, we should attach importance to the research on basic theories, and give full play to the important role of the various disciplines in social sciences in building the two civilizations. In addition, we should gradually develop new science and new frontiers in science based on our necessity and possibility. We should replenish the organizations and research personnel of social sciences, and gradually establish a complete social science research network centering on the provincial institute of social sciences and composed of the social science research personnel of the five major fields and prefectural and city research institutes. Social science workers should carry forward the fine style of study of integrating theory with practice, and continuously improve their ideological and professional qualities.

(b) Strengthen Education

Education is the foundation for implementing the principle of relying on science and technology to rejuvenate Hebei. According to the requirements for promoting the moral, intellectual, and physical development of the students, and cultivating skilled persons for Hebei's modernization, we should open various channels to increase the input in education; vigorously readjust the educational structure; focus our efforts on strengthening basic education, vocational education, and teachers training; upgrade the quality of imparting knowledge and educating people; and gradually make the educational scale and the educational structure suit the modernization of the province.

In basic education, we should vigorously implement the compulsory educational law. The localities where elementary education has been popularized should continuously strengthen moral education, upgrade educational quality, ceaselessly perfect the school-administering conditions, and further carry out the nine-year compulsory education. By 1995, all cities and towns in the province and 90 percent of the rural areas should attain the province-fixed standards for popularizing elementary school education, and 95 percent of the cities and towns and 58 percent of the rural areas should attain the province-fixed standards for popularizing the nine-year compulsory education. Due to the change in the school population and the readjustment of the educational

structure, the enrollment in primary schools, middle schools, and ordinary senior high schools should rise from 7.005 million students, 1.764 million students, and 312,000 students to 6.6 million students, 2.56 million students, and 300,000 students, respectively. It is necessary to continuously develop pre-school education and to further develop pre-school education in the urban areas. The rural areas where conditions permit should positively develop two-year pre-school education on the basis of satisfying the one-year pre-school education. We should pay attention to developing special education for the handicapped and retarded children, and rise the handicapped children's school-entrance rate. We should further develop undertakings for children and youngsters, and mobilize all social forces to be concerned with and help children and youngsters. When developing school education, we should strengthen family and social education and create a fine environment for having children and youngsters grow up healthy.

In the sphere of secondary vocational and technical education, we should further readjust and optimize the educational structure, strengthen the improvement of the quality of teachers, and increase the school-administering quality and efficiency. Ordinary secondary specialized schools should fully use the existing school-administering conditions to readjust the specialized structure, widen the service scale, expand the student enrollment scale, and ensure attaining the fixed school-administering scale. Vocational middle schools should make greater progress. Conscientiously in line with the principle of employment after training, vocational middle schools should make their specialized courses suit the production and construction demands. The rural areas should focus their efforts on developing vocational middle schools; and gradually set up a vocational educational system through which elementary, middle, and senior high schools develop in a coordinate manner. We should improve the conditions for technical schools and upgrade their quality in line with the requirements for urban employment and the development of enterprises. The enrollment in secondary vocational and technical schools of various categories should rise from 269,000 students in 1990 to 358,000 students, and the proportion of enrollment in secondary vocational and technical schools in the total enrollment in the senior high schools should rise from 46 percent to about 55 percent.

We should put the focus of ordinary higher education on upgrading the educational quality and the school-administering efficiency, readjust the specialized educational structure, and make the quantities and the quality of senior skilled persons gradually suit the demands of the province's modernization. We should expand the scale of recruiting students taking food, textile, light industry, and health and epidemic prevention training courses; and readjust some specialized courses with less social requirements and poor adaptability. It is necessary to expand the scale of leaving enrollment quotas for some fixed areas, and to pay particular attention to

cultivating senior and middle-level skilled persons for the poverty-stricken areas, including highland and mountain areas. According to the province's requirements, we should focus our efforts to support the development of the specialized courses in fruit and crop growing, plant protection, iron and steel, metallurgical, acromolecule materials, and textile engineering spheres; and strive to attain the state requirements for developing specialized courses by the end of the Eighth Five-Year Plan period. We should exert efforts to create conditions for expanding the postgraduate cultivation capability. Based on balancing the educational structure, we should appropriately develop education for undergraduates and students taking special courses. Meanwhile, we should lend outer-province forces to cultivate higher-level skilled persons and some specialized skilled persons to meet the province's urgent demands. In 1995, enrollment in the local ordinary institutions of higher learning should rise from 585 students in 1990 to 620 students in 1995, and the number of undergraduates and the number of students taking special courses should rise from 58,900 to 61,200.

In adult education, we should continue to implement the method of running schools through diverse channels, with diverse forces, and in diverse forms. The workers' education should be focused on carrying out the on-the-job training and the training for transferred workers in order to constantly raise workers' technical and professional levels. We should extensively conduct training for the grass-roots cadres in rural areas, and for workers and staff members of households specializing in farming and breeding trades, and of township and town enterprises. We should further straighten out and readjust the education with schooling record for adults. In such education, what is studied should be geared to the demands of actual work, and teaching quality and training specifications should be ensured. By 1995, the student body of the adult higher learning institutions throughout the province will increase from 43,000 persons to 45,000 persons; while the enrollment quota of adult secondary specialized schools will be reduced from 92,000 persons to 76,000 persons along with the decrease in the persons engaging in advanced studies in teachers' and secondary specialized schools.

D. Make Good Arrangements for Fixed Asset Investment, and Intensify Construction of Key Projects

In making arrangements for fixed asset investment, we should appropriately give special consideration in line with production policies. We should emphatically grasp the technological transformation of existing enterprises, large- and medium-sized enterprises in particular. Instead of initiating new projects and increasing production capacity, the processing industry should concentrate on improving the quality, level, and grade of processing and on lowering consumption in order to gain even more benefits with relatively fewer investments and to intensify the province's self-accumulation and self-development capacity. At the same time, we should pay attention to grasping some new projects which have a

bearing on the overall situation of the national economy in order to lay a solid foundation and add momentum for economic development in the future.

(a) Scale of Fixed Asset Investment

During the Eighth Five-Year Plan period, the scale of fixed asset investment throughout the society is initially projected at 120 billion yuan, 33.5 billion yuan more than the actual investment during the Seventh Five-Year Plan period. Of this, the fixed asset investment by the state-run units is projected at 65 billion yuan, an increase of 16.3 billion yuan; and that by collectives and individuals is projected at 55 billion yuan, an increase of 17.2 billion yuan.

In the total investment made by the state-run units, the investment in capital construction is projected at 13.5 billion yuan, accounting for 39.7 percent of the total, or 2.5 billion yuan more than that during the Seventh Five-Year Plan period; and the investment in technological transformation projects is projected at 18.5 billion yuan, accounting for 54.4 percent of the total, or 5.3 billion yuan more than during the Seventh Five-Year Plan period.

(b) Priorities of Fixed Asset Investment

In accordance with the demands of "controlling the total volume, readjusting structure, giving prominence to key points, and increasing efficiency," and in line with the needs of the province's economic and social development, the province should define the priorities of fixed asset investment as follows during the Eighth Five-Year Plan period:

We should vigorously strengthen the construction of agriculture, water conservancy projects, energy resources, transportation and communications, and important raw materials; develop scientific education and infrastructure; and appropriately raise the proportion of the light and textile industry and the electronics industry.

We should spend still more funds on carrying out technological transformation for the machinery and electronics industry, the light and textile industry, and the processing industry in order to make the economy truly embark on the road of expanding reproduction through science and technology.

We should give priority to arrangements for the projects applying new and high technology, and cultivate and develop new high-technology in a step-by-step manner in the course of renovating conventional industries.

In the course of developing production, we should give consideration to the livelihood of workers and staff members, and should increase investment in non-productive projects, residential construction in particular, in order to make the construction of productive projects and non-productive projects develop in coordination.

(c) Arrangements for Key Projects

The province has arranged 300 key projects for the Eighth Five-Year Plan period, of which, 200 are of industrial production; 50 are of water conservancy works; and 50 are of the undertakings of science, education, culture, and public health. Of these key projects, 151 are of large- and medium-sized capital construction and of technical renovations whose investments have exceeded the quota, of which, 33 have been transferred from the Seventh Five-Year Plan period, 77 will begin their construction in the period, 26 are in the preparatory stage, and 15 are in the earlier stage.

E. Achieve Success in Increasing Revenues and Reducing Expenditures To Improve the Financial Situation

We should realistically enhance the financial work; correctly deal with the relationship between the economy and financial affairs and between living and building; uphold the financial principle of doing what we can do, working according to our capability, and achieving a balance between revenues and expenses; and should have the financial revenues achieve a sustained and stable increase by deepening the reform drive, developing the economy, increasing the economic results, and fostering financial resources. Efforts should be made to enhance the management, to concentrate the financial capacity, to optimize the spending structure, and to improve the distribution relationship in finance. Through the efforts made in the coming five years, we should strive to bring about a turn for the better in the province's strained financial situation, to gradually enhance the financial practical strength, and to provide fund guarantees for realizing the strategic target of economic and social development by 2000. By 1995 the province's financial revenue plan will reach more than 11 billion yuan. After making up the former financial deficit, the province will achieve a balance between revenues and expenses.

(a) Achieve Success in County's "Two Creations and Two Changes"

By the end of the Eighth Five-Year Plan period, the number of counties (cities) which have 100 million yuan financial revenues will reach six, that of counties (cities) which newly have more than 50 million yuan financial revenue will reach 24 (of which those having 80 million yuan financial revenue will reach six), and that of counties which can end the state subsidies will reach 30. During the Eighth Five-Year Plan period, the province will basically eliminate the counties suffering from the deficit. The province and prefectures or cities should share the work in this regard and vigorously realize the arrangement. The provincial authorities should be mainly responsible for giving support to the six 100-million-yuan-revenue counties (cities), six 80-million-yuan-revenue counties (cities), and 10 counties which belong to the first group to end state subsidies and realize their targets. Prefectures and cities should be

responsible for their subordinate 18 50-million-yuan-revenue counties (cities) and 20 counties which belong to the second group ending state subsidies. The provincial financial department should appropriate a number of special funds for supporting them and enforce the fund utilization in this regard.

(b) Achieve Success in Reducing the Deficits and Increasing the Profits of Large Profit and Tax Payers, Large Deficit Producers and Other Enterprises

According to the province's policy on industries, the province's trend of economic and technical development, and the comparative benefits of various industrial departments, as well as in line with the principle of bringing the strong points into play and increasing economic results, we should concentrate and guide the social funds to be emphatically put in the industrial enterprises with high economic results and to be used for supporting the production of famous and fine-quality commodities, upgrading the competitive capability and profit level of products, increasing the number of large profit and tax payers, and fostering a large number of pillar financial resources in the province. Money-losing enterprises should tap their internal potential, accelerate their pace in making technical progress, upgrade the quality of their products, lower their material consumption and spending level, improve or reduce their losses, and upgrade their profit level year after year. By 1995 the number of enterprises covered by the budget throughout the province, which can earn more than 10 million yuan of profit will increase from 57 in 1990 to 98, that of enterprises which can earn 5 million yuan of profits will increase from 45 in 1990 to 82, and that of enterprises which suffer more than 2 million yuan in losses each year will decrease from 103 in 1990 to nine. The rate of state-run money-losing enterprises will decrease from 27 percent in 1990 to 10 percent.

(c) Strengthen the Means and Broaden the Channels To Accumulate Financial Resources, and Adopt Every Means To Increase Revenues

We should enhance the work of managing the industrial and commercial tax collection, improve the tax revenue systems, stop the tax revenue loopholes, and should bring the tax reduction and exemption under strict control so as to gradually score simultaneous increases in the relevant targets of industrial and commercial tax revenues, of the industrial income from sales, and of the retail sales of social commodities. We should gradually establish or improve the system of having individual payers present their tax statement. Efforts should be made to enhance the collection and management of the four agricultural taxes, to further improve the tax collecting and managing measures, to bring under control the sources of taxes imposed on special farm and forestry products, and to collect taxes in line with the actual situation. We should also adequately upgrade the proportion of taxes and profits handed over by the state-run enterprises after they have surpassed their contracted tax quota.

(d) Strengthen Management of Expenditures, Control the Inordinately Large Growth in Consumption Spending, and Reduce the Financial Subsidies of Various Types

We should carry forward the fine tradition of plain living, arduous struggle and building up the country through thrift and hard work, develop all our undertakings through thrift and hard work, practice economy, oppose extravagance and waste, truly embrace the idea of leading an austere life, improve the management of various expenses, and strictly control the inordinately large growth in administrative funds. While making efforts to increase revenues and reduce expenditures, we should appropriately concentrate our financial resources in coordination with the financial reform to enhance the capacity of provincial-level financial department for macroregulation and control, and should increase the funds for production and construction. Meanwhile, we should strengthen management of extra-budgetary funds, guide the use of funds, improve the spending pattern, and strive to work out overall plans for and achieve a comprehensive balance between budgetary and extra-budgetary funds so that our limited funds can create the best returns.

F. Strictly Control Population Growth, and Continuously Improve People's Living Standard

(a) Conscientiously Achieve Success in Family Planning

We should unfailingly practice family planning, promote healthy births and sound upbringing, and strictly control population growth. The inordinately large growth in population not only brings a tremendous pressure and a series of contradictions to employment, urban and rural construction, culture, education and other undertakings, but also has a direct influence on our endeavor to achieve a fairly comfortable life by the end of this century. Therefore, we should put population control and improvement of the population quality in a very important position, and conscientiously carry out family planning. By the end of the Eighth Five-Year Plan period, the province's population should be kept within 65.9 million, and the average annual natural population growth within 13.48 per thousand. It is very difficult to fulfill this task, and strong measures are required. First, the entire society should understand more deeply the sufferings resulting from the inordinately large growth in population, and all the people, from leading persons down to the ordinary masses, should conscientiously enforce the "Hebei Provincial Family Planning Regulations" so that family planning work will be managed according to law as soon as possible. Second, we should further strengthen leadership over family planning work, assign responsibility to party and government leaders at all levels, give different guidance to different areas, with the focus on the rural areas where grass-roots organs of power are weak and family planning work is ineffective, fix quotas for every level to fulfill, strictly appraise the results, and mete out reward and punishment accordingly. Third, we should rely on the masses to carry out

family planning work, strengthen the supervision by the masses, and develop the role of family planning associations. Fourth, we should further establish the family planning networks at county, township and village levels, and conscientiously solve the problems in birth control operations, contraceptive medicines and devices, and training of personnel.

(b) Actively Arrange Urban and Rural Employment

Urban and rural areas should be taken into consideration, and overall plans worked out for the arrangements and employment of the labor force. We should strengthen the mechanism for the macroregulation and control of the labor force, and provide more employment opportunities in urban and rural areas to absorb more of the labor force. In view of the coexistence of the difficulty in employing personnel on the part of some trades and enterprises and the difficulty in being employed on the part of some urban jobless people, we should map out policy measures to solve these problems in addition to conducting propaganda and education. Transfer of rural labor forces is an inexorable trend in economic development. We should properly control the transfer and adopt effective measures to prevent premature and random influx of rural labor forces to cities in too large of numbers. With regard to rural surplus manpower, we should actively guide them to develop production in range and quality, carry out intensive and meticulous farming, diversify their production, and organize capital construction for agriculture throughout the year. Meanwhile, we should greatly develop township enterprises, and expand the employment of the secondary and tertiary industries in rural areas in line with the principle of "employing people from the same localities and encouraging them to leave land but not their hometowns." We should organize export of labor in a planned manner, and achieve success in the management of the rural labor forces who come to cities, and in the comprehensive balance between urban and rural labor forces. In line with the state industrial policy, we should gradually adjust the industrial structure and the distribution of labor forces in different trades, and expand our capacity for absorbing labor forces.

(c) Intensify Efforts To Improve Environment and Protect Resources

Utilizing natural resources, preventing and controlling pollution, and protecting environment in a reasonable manner constitute a fundamental policy of our country, as well as an important aspect of the endeavor to improve the quality of the people's livelihood. During the Eighth Five-Year Plan period, we should continue to control industrial pollution and prevent ecological environment from worsening, and should effect a marked improvement in the environmental quality of key cities, tourist zones, and some rivers. By 1995, the disposal rate of waste water and waste gas discharged should be raised to 60 percent and 80 percent respectively. We should further enhance the people's sense of environmental

protection, strengthen unified leadership over environmental protection work, continue to carry out the environmental protection responsibility system, strictly execute the laws, rules, and regulations with regard to environmental protection and development of natural resources, and adopt effective measures to prevent and control industrial pollution and improve the environment of cities in a comprehensive way. Toward those enterprises which cause serious pollution, a deadline should be given to them to put pollution under control. Failing to do so, such enterprises should be closed, suspended, incorporated or transferred to carry out other work. Toward the newly built projects, the expanded projects, and the technological transformation projects, the state stipulations regarding environmental protection and management of construction projects should be executed in a strict manner. In developing and utilizing natural resources, we should pay attention to protecting the ecological environment, and, in particular, protecting land and water resources. Meanwhile, we should persistently combine economic, ecological, and social effects. We should strictly control the land occupied by nonagricultural projects, and conscientiously develop and utilize barren and waste land. During the Eighth Five-Year Plan period, the land occupied by various construction projects should be controlled within 1 million mu. We should protect all mineral resources of the state, and make reasonable plans for the comprehensive development and utilization of mineral resources. We should strengthen the construction and management of the natural reserve areas.

(d) Further Develop Social Security Undertakings

Successfully running social security undertakings is of great significance in improving the people's living standards, promoting stability and unity, and manifesting the superiority of the socialist system. We should positively promote the reform of the social security system. With emphasis on reforming and establishing the social old-age insurance system, we should promote the development of other social insurance services, the social welfare and social relief services, and the service of giving special care to disabled servicemen and to family members of revolutionary martyrs. We should make positive explorations for building the urban and rural old-age insurance system at various levels, in various forms, and with diverse standards. By 1995, the number of townships and towns provided with the social security network should go up from 338 in 1990 to 800 or more. We should further reform the systems of free medical service and the labor insurance medical service, and should continue to popularize the cooperative medical insurance services. We should establish and perfect the insurance system for the injured and handicapped. We should expand the scale of unemployment insurance, and perfect the methods of unemployment insurance. We should pay attention to the work of providing disaster relief to rural areas, and actually make good arrangements for the livelihood of the people in disaster areas, in line with the principles of "depending on the

masses, depending on collectives, providing for and helping oneself by engaging in production, helping each other and providing relief to each other, and regarding the necessary state relief and support as the supplement." We should continue to persist in the principle of pooling the efforts of the state, society, and the masses in giving special care to disabled servicemen and to family members of revolutionary martyrs; and conscientiously implement various policies related to this work. The standards of the allowances to family members of compulsory servicemen should gradually reach the per capita income of local residents. We should readjust in a planned manner the standards of allowances to family members of revolutionary martyrs and to disabled servicemen, and the standards of subsidies to veteran Red Army men and demobilized servicemen in order to actually guarantee their lives. We should expand the sphere of settlement to demobilized servicemen and the soldiers transferred to civilian work. We should actually protect the legitimate rights and interests of the handicapped people. We should mobilize the forces on all circles of society to show concern for and give support to the handicapped people, should improve the health recovery conditions and educational facilities for the handicapped, and should initiate in a planned way small and collectively run welfare enterprises in various areas in order to enable still more handicapped people to restore to health and provide employment to still more handicapped people.

(e) Develop Medical Undertakings

According to the planned objective that each and every person should enjoy primary medical service, in the Eighth Five-Year Plan period, we should positively develop medical facilities, give priorities to improving medical conditions in a well-planned manner, expand the construction of the medical workers contingent, improve medical service quality, and consolidate the medical order. Emphasis should be placed on strengthening the construction of rural grass-roots medical institutions and on consolidating and developing the third-level medical networks. In particular, we should cultivate medical technicians and medical skilled persons for old revolutionary bases, areas inhabited by minority peoples, border areas, and poverty-stricken areas; and gradually change the situation of lacking doctors and drugs. Efforts should be made to strengthen the maternity and child care work and the prevention and health care work. We should positively prevent various kinds of acute and chronic infectious diseases, endemic diseases, occupational diseases, and parasitic diseases; and strengthen the work of supervising the public health work of town and township enterprises. The number of sickbeds at medical institutions across the province should rise from 146,000 in 1990 to 166,000 in 1995, and that of medical technicians should rise from 181,000 people to 208,000 people. By 1995, the medical and health care institutions at or above the county level should possess the basic conditions for monitoring, planned immunity, well breeding and rearing of children, and maternity and child care service.

(f) Strive To Improve People's Living Standards

It is necessary to continuously implement and perfect the policy of distribution according to work and to overcome equalitarianism. Lawful income must be protected. Simultaneously, we should carry out methods such as collection of taxes among people with high income so as to make the necessary readjustments. Unlawful income must be banned according to law. We should accurately handle the relationship between accumulation and consumption. On the basis of developing production and ceaselessly upgrading economic results, we should appropriately increase the incomes of urban and rural people. In the Eighth Five-Year Plan period, the real wages of staff and workers of the province should increase annually on average by 2 percent, and the per capita net income of the peasants should increase by about 4 percent if the price factors are deducted. Along with the increase in incomes, the consumption level of urban and rural dwellers should increase in a step-by-step manner. Their consumption level should increase by about 3 percent annually if calculated in terms of comparable prices on the premise of excluding the price factors. The per capita consumption level should rise from 680 yuan in 1990 to 800 yuan in 1995. The differences between the people's living standards in urban and rural areas should further be reduced. Changes will take place in consumption quality and consumption structure. The per capita grain ration should gradually be reduced from 235 kg in 1990 to 230 kg in 1995. The per capita consumption of pork and eggs should rise from 11.3 kg and 5.5 kg to 13.5 kg and 7 kg. Convenience foods and nourishment and health food will further be popularized. The clothes-making materials and clothing designs will further be varied. The rate of ready-made clothes should rise from 25 percent to 35 percent. The per capita housing areas of the people in cities and towns and in rural areas should continuously increase. The housing quality should further be upgraded. Durable consumer goods bringing convenience to the people's livelihood and saving household labor should further be popularized. Modern kitchen utensils, health apparatus, air conditioners, and household-use computers should be applied by a small number of households. Along with the development of various social undertakings, the proportion of entertainment consumption and noncommodity consumption will increase in a step-by-step manner. The educational, public health, and medical consumption structure will further be perfected.

G. Continue To Deepen Economic Structural Reform

According to the state unified arrangement, we should continuously promote the economic structural reform. The basic orientation for deepening the economic structural reform is to persist in the principle of linking planned economy with market regulation to gradually set up an economic system and an operational mechanism that conform to the requirements for the development of the socialist planned commodity economy. In the Eighth

Five-Year Plan period, the province should focus its efforts on grasping the reform work in the following aspects:

(a) Deepen Enterprise Reform To Invigorate Enterprises, Especially Large and Medium-Sized Ones

In deepening enterprise reform, first of all we should uphold and improve the enterprise responsibility system. Efforts should be made to stabilize and improve the existing measures of contracting responsibilities, to successfully conduct internal associated reform of enterprises, to enhance the management over the entire process of enterprise responsibility system, to enforce supervision over the enterprises' trends, to discover or correct in a timely manner the deviation and violation possibly cropping up in the process of the responsibility system, and to gradually establish the encouragement mechanism of facilitating technical renovations and progress. Meanwhile, we should probe the systems of rent and stock share and the new mechanism of enterprise operation. The central link of deepening enterprise reform is to enhance the vitality of enterprises, particularly large and medium-sized ones. In line with the principle of separating the political work from the enterprise administration and of adequately separating the right of management from that of ownership, we should continuously push forward the reform among enterprises and circles concerned and gradually enable the overwhelming majority of state-run enterprises to mount the track of running the business independently and being responsible for their own profits and losses. Efforts should be made to further implement the existing laws, regulations, and policies on enlivening enterprises and create a more flexible climate for enterprise development. We should continuously enforce the special policy in a coordinated manner in the fields of funds, loans, tax revenue, prices, and of the supplies of energy resources and raw materials and should support the large and medium-sized enterprises to achieve development and make technical progress. We should also foster a large number of enterprises with good market prospects, high economic results, and strong competitive strength; have them take the lead in production; establish a number of enterprise groups through the merger and association of enterprises; and should realize standardized economic results. We should further bring into play the political core role of party organizations within the enterprises; uphold and improve the plant director responsibility system; and should wholeheartedly rely on the working class to enhance the operation and management of enterprises, to improve the restriction mechanism, to fully tap potential, and to enable enterprises to become mature and achieve development amid market competition.

(b) Further Invigorate Collective Enterprises

We should continuously uphold the ownership structure in which the public ownership is in the main and the component of diversified economy exists simultaneously. While developing state-run enterprises, we

should accelerate the pace in developing collective enterprises, particularly urban collective ones. Efforts should be made to define the jurisdiction of production right of collective enterprises, to uphold the principle of managing collective enterprise according to the nature and characteristics of the collective economy, and to gradually establish or improve the enterprise operation mechanism truly conforming to the characteristics of collective enterprises. We should formulate the policy of encouraging urban areas to develop the collective economy, establish the urban foundation of developing the collective economy, and support in a planned manner a number of backbone enterprises to open new production and service fields. On the premise of keeping the ownership character of collective enterprises unchanged, we should actively develop lateral economic associations and score standardized economic results. We should actively guide the individual and private economy and the enterprises of other economic components in line with the state policies concerned, have them achieve adequate development, and bring into play their supplementary role favorable to the public ownership economy.

(c) Continue To Facilitate Reform of the Circulation System

While consolidating and developing the achievements scored in improving the economic environment and rectifying economic order in the circulation aspect, we should further enliven commodity circulation. Efforts should be made to bring into full play the main channel and reservoir role of the state-run supply and marketing cooperatives and the state-run material supply departments in commodity circulation, to further reduce the links by regarding as a target the establishment of commodity circulation system with high efficiency and smooth and readjustable procedures, to unclog the circulating channels, to actively develop the transaction of various forms, to gradually establish a number of trans-regional and trans-professional wholesale firms and material supply groups, and to actively broaden the commodity and material exchanges among the regions and between urban and rural areas. Efforts should be made to establish or improve the system of commodity storage so as to ensure the state-run supply and marketing cooperatives to have goods resources sufficient for stabilizing markets and bringing into play their function in readjusting sales and purchases, controlling prices, and stabilizing markets. In line with the requirement for gradual establishment of a unified and open market system under the guidance, regulation and control of state plans, we should further develop and improve the market for consumer goods, expand the market for the means of production, and develop in a planned and orderly manner the market for essential elements of production, such as technology, labor service, money and information. While cultivating and improving the market within the province, we should make active efforts to open up the market outside the province and the international market, facilitate the rational flow of

the essential elements of production, and gradually change the situation of "regional blockade and barriers between different regions and different departments."

(d) Deepen Reform of the Foreign Trade System, and Strive To Expand Exports To Earn More Foreign Exchange

We should further improve and reform the contract system in foreign trade so that foreign trade enterprises will have unified policies, compete on an equal footing, carry out independent management, be responsible for their own profits and losses, cooperate with industrial enterprises, promote the system for them to serve as agents for other enterprises, and associate with other enterprises in managing foreign trade. We should rationalize the foreign trade management system, and strengthen the management of the plans for and business of export commodities. After this, we should actively and prudently popularize the system whereby foreign trade enterprises can act as agents for other enterprises in the export of their commodities, and develop to a proper extent the independent import and export business by large and medium-sized production enterprises and enterprise groups. Foreign trade departments, especially foreign trade corporations, should change their functions more rapidly, expand their service, provide information to production departments and enterprises in a timely manner, and serve as a bridge to help them in foreign capital utilization, technology import and establishment of the enterprises in the "three forms of ventures." While attaching equal importance to expanding export and raising economic efficiency, we should reform the foreign exchange retention methods, improve the systems for settling accounts of foreign exchange and for using foreign exchange, and enliven foreign exchange regulation.

(e) Deepen Reform of the Banking and Investment Systems To Collect and Lend Money for Economic Construction

Banking departments should distribute credit funds in a reasonable manner in line with the state industrial policy and the provincial plan for its implementation so that banks' function to lend money can be further strengthened. They should steadily develop savings deposits, and actively organize and expand the sources of funds. They should enliven the use of their funds available, tap the potential for supplies of funds, improve the methods for settling accounts, and accelerate the turnover of funds. We should adopt every means to help enterprises enliven their use of funds and reduce irrational tie-up of funds and defaults in payments. We should actively develop the direct money market, develop and improve the stock exchange market in a planned manner, and raise funds for local authorities and enterprises by issuing stocks and bonds.

In investment system reform, we should further improve the management of the fixed asset investment of the entire society, and enforce the system of unified plans for

management at every level. We should strengthen the guidance of the industrial policy, and continue the relatively centralized management by the state and the province of the projects that have a bearing on the overall situation; and allow major investors to arrange by themselves the ordinary construction and technical transformation projects within the investment scope decided by the province. We should establish the capital construction fund system step by step to muster scattered funds, and put them under unified management and overall plans so as to meet the needs in the key projects of the economy. We should further apply the public bidding system to construction projects, and give play to the role of the mechanism of market competition.

(f) Facilitate Reform of the Macroeconomic Regulating and Control System To Promote Sustained, Stable and Coordinated Economic Development

In the reform of the provincial-level macroeconomic regulating and control system, we should intensify efforts to establish a local macroeconomic regulating and control system in line with the principle of combining the planned economy with market regulation. We should gradually establish a macroeconomic regulating and control system based mainly on state plans, under which economic, administrative and legal means are adopted in a coordinated manner. In particular, we should improve the indirect regulating and control mechanism, and adopt financial, banking, tax, price and other means more successfully to regulate the operation of the economy. We should improve the forms and methods of management through planning, rationally adjust the scopes of mandatory plans, guidance plans and market regulation, and make our formulation and management of plans more scientific and effective. We should strengthen and improve the work of the auditing, statistical, information, consulting, and supervisory departments. We should further rationalize the relations between planning and financial departments and between banks and other departments. We should give full play to the role of planning departments as an economic lever in conducting overall balance of the economy, in executing the state industrial policies, and in conducting comprehensive coordination of the economy. We should make planning, financial, and banking departments divide work reasonably, closely cooperate with one another, and act in coordination so as to gradually establish a provincial-level overall regulatory and controlling system which not only has the function of unification and centralization but also gives full play to the role of each department.

(g) Accelerate Reform of the Housing System, and Gradually Commercialize Houses

In reforming the housing system, we should persist in the principle of letting the state, collectives, and individuals reasonably share the work; proceed from reforming low rent of public houses, adopt diverse methods such as increasing rents for housing, promoting house sales with rentals, and simultaneously promoting house rentals and

sales, and should gradually change from distributing houses to distributing house allowances in order to effect a benign cycle of input and output of housing funds. By so doing, we will create a new road which not only helps solve housing shortages in urban areas but also promotes the development of the real estate trade, construction trade, building materials trade, and other related trades, and will better satisfy the people's ever-growing demands for houses.

H. Open Wider to the Outside World, and Develop Foreign Trade, Foreign Capital Utilization and Economic and Technological Cooperation More Effectively

We should continue to conscientiously implement the principle of opening still wider to the outside world, actually enhance the sense of overall opening and the sense of urgency, and firmly seize all favorable opportunities and conditions to accelerate the pace of opening to the outside world. We should promote the provincial economic development, and improve the economic quality by successfully grasping foreign trade, foreign capital, external economic relations, and internal cooperation.

(a) Foreign Trade

Concerning the prerequisite of maintaining a sustained increase in import and export volume, we should focus our work on readjusting the structure of import and export commodities. In the field of export, we should raise the proportion of the processed products in the total export volume, and should strive for a marked increase in the export of intensively processed products, machinery and electronics products in particular. In the field of import, we should spend as much as possible the limited foreign exchange on importing the advanced techniques with a high starting point and high efficiency and importing key equipment, and should ensure the source of foreign exchange spent on importing important industrial and agricultural materials and importing the raw materials which are in short supply. In 1995, the export volume of ordinary trade and the "three joint ventures involving foreign capital" should increase from \$1.26 billion in 1990 to \$1.7 billion.

To effectively increase export and foreign exchange revenues, we should first improve the operating level and service quality of foreign trade. Foreign trade enterprises should profoundly launch the "two-guarantee and two-restriction activity," should strive to strengthen management, and should strive to cut export costs in order to reduce export deficits. All localities in the province should launch the activity of upgrading the foreign trade procurement volume, and should adopt feasible measures and encouragement policies to draw back the sources of goods from other places. Second, we should vigorously combine industry with trade and combine agriculture with trade in various forms, and accelerate the construction of export commodities bases. The province plans to cultivate and build 80 to 100 export commodity base enterprises each year. In combination

with the readjustment of industrial production, we should emphatically support the export of machinery and electronics products, the intensively processed textile fabrics and clothes, chemical industrial products, and handicraft articles. By 1995, the proportion of the intensively processed products in the total export volume should be raised from 50 percent at present to 55 percent or higher. We should positively support large- and medium-sized enterprises to directly contact with foreign traders and operate export independently. We should greatly support township and town enterprises to develop the production of export commodities, and, at the same time, vigorously develop agriculture to be more oriented to creating foreign exchange.

Third, we should open international markets in various forms and in all directions, optimize the market structure, and supply more commodities to international markets. In line with the state policies on trade relations with various foreign countries, we should, while consolidating the traditional markets, concentrate efforts on opening markets in Western Europe, North America, the Soviet Union, and Eastern Europe. We should also increase exports to Central and South America, Latin America, Africa, and South Korea, as well as to Taiwan. Fourth, efforts should be made to conduct flexible trade in "processing products with materials provided from abroad, processing products with samples provided from abroad, assembling equipment with parts provided from abroad, and conducting compensatory trade." A good job should be done in utilizing the policies of flexible trade in the fields of foreign exchange retention, tax exemption, and awards; of bringing into play the enthusiasm of various social circles; of organizing more production enterprises to engage in this flexible trade; and particularly of bringing into full play the strong points of the open cities and counties along the coastal line and of Qinhuangdao harbor so as to gradually build these cities and counties into key processing zones of this flexible trade.

(b) Foreign Capital Utilization

In line with the demands made in the policies on industries and on the technologies of various industries and trades, we should accurately and successfully choose the applicable items and seize all opportunities to more actively and boldly introduce outside capital and foreign advanced practical technologies, equipment, and managerial experience. We should do this by regarding as a center the work of earning more foreign exchange through exports and in increasing economic results and regarding as an emphasis the work of having the out-dated enterprises conduct "grafting" and reform. During the Eighth Five-Year Plan period, the province will strive to increase the utilized outside capital from \$282 million in the Seventh Five-Year Plan period to more than \$600 million.

We will actively readjust the structure of outside capital utilization. In adopting the forms of utilizing outside capital, we should increase the proportion of foreign

direct investments. In utilizing foreign loans, we should increase the proportion of long-term and preferential loans. In selecting the items for investment, we should increase the proportion of large- and medium-sized items of agriculture, energy resources, communications, telecommunications, and important raw materials, as well as of having the out-dated enterprises conduct "grafting" and reform.

We should enhance the guidance over the plans for utilizing outside capital. By regarding as a target the work of upgrading the competitive capability of domestic products in international markets, we should support the industries with less investment, high yield, the potential to compete in world markets, wide association with others, and strong technical infiltration. Efforts should be made to shift the outside capital utilization from the receivers of major labor and technically intensive enterprises to the receivers of major funds and technically intensive ones. Efforts should be made to stress the utilization undertaken by electric machinery and heavy chemical industries, and to gradually upgrade the quality of the province's industries as a whole.

While actively seeking the preferential loans of foreign governments, the loans of international financial organizations, and other loans of foreign exchange, we should, in line with the policy on industries, attract more foreign firms to open "three-capital" enterprises in the province; emphatically operate more joint venture and cooperative enterprises by making use of the technical renovations conducted by the existing enterprises, as well as foreign-funded ones; and strive to operate 1,000 "three-capital" enterprises by 1995. Efforts should be made to formulate more preferential policies to encourage foreign firms to contract the responsibility of development through the transfer of state land in the Qin-Tang-Cang open zone and in other fixed areas.

(c) Foreign Economic and Technological Cooperation

By making full use of the province's strong points, including an abundant labor force, we should actively join in the competition of international labor markets and gradually expand the technical contents of contracts in prospecting, planning, and design. We should not only contract the construction projects with foreign countries but also actively organize the export of labor in the industry, agriculture, medical, and service fields. Except for dispatching the construction companies' labor forces in an organized way, we should also open more associated export channels of labor forces belonging to private companies, social communities, and semi-government corporations. During the Eighth Five-Year Plan period, the province will strive to enable the volume of contracts on construction and cooperative labor force exports to reach more than \$200 million and the net income of foreign exchange earned from this to reach more than \$50 million.

We should make great efforts to organize technology exports. We should organize pertinent personnel to conduct investigations, studies, and appraisals; to develop policies conducive to technology exports; to bravely conduct exploration and experiment in the trade and departments where conditions are ripe; to extend our technological potential to foreign countries, especially the countries and regions of the Third World; to actively organize technology exports, especially mature technology; and to promote the export of complete sets of equipment and international technological service through technology exports to increase foreign exchange income.

(d) Domestic Economic and Technological Associations and Cooperation

We should develop multi-channel and multiform associations with large enterprises, scientific research units, and colleges and universities of economically developed areas, particularly Beijing and Tianjin. We should continue to consolidate and develop the networks of economic cooperation with the contiguous areas outside the province; bring in funds, technology, trained personnel, and materials from outside the province through the associations and cooperation; and guide the entire province, especially economically backward areas, to develop a number of readily marketable products and high and new technology industries to accelerate our economic development.

While doing a good job in the associations and cooperation with other provinces and municipalities, we should also greatly develop the lateral economic ties between the localities of the province, including the economic cooperation between Tangshan and Qinhuangdao, among the three cities and 12 counties in the open zones, between open zones and inland areas, and between eastern and central west parts of the province, so that they will compensate for each other's deficiencies, promote each other, and achieve development simultaneously. During the Eighth Five-Year Plan period, we should strive to establish more than 100 production associations each year, and import more than 1,000 scientific and technological achievements.

(e) Development of Open Zones

We should accelerate the development of the Qinhuangdao-Tangshan-Cangzhou Bohai Bay economic open zone. During the Eighth Five-Year Plan period, while successfully building infrastructural facilities, improving the investment climate, and making itself more attractive to foreign investment, the open zone should establish more enterprises in the "three forms of ventures" in line with the principle of giving prominence to priorities, phasing in development plans, and advancing step by step. We should pay particular attention to the opening of the 1,000 designated enterprises, should import advanced technology to transform traditional industries, and should develop and expand the capacity for the export-oriented economy. After this, we should enable

the heavy and chemical industrial enterprises with prominent advantages to develop by leaps and bounds, transform our export commodities into mainly technology-intensive products with high added value, and establish a number of new industries. The Qinhuangdao City Economic and Technological Development Zone should accelerate its development based on the current foundation, with the focus on importing and developing the high technology and advanced applicable technology at home and abroad, fully developing its initial area covering 0.62 square km by late Eighth Five-Year Plan period, and gradually turning itself into an experimental zone for reform, a demonstration zone for opening up, and a central zone for technology.

Proceeding from the needs of the economy as a whole, open zones should greatly develop the export-oriented economy to meet the international market, and fulfill the important tasks of developing foreign trade, utilizing foreign capital and importing technology more successfully. They should strengthen the associations and mutual supplies of funds, materials, technology, and information with inland localities and enterprises, and play their role still better in the province's economic development as a window, bridge, and base for opening to the outside world, so that a pattern with open zones in the forward position and economically developed inland cities in the rear can gradually take shape for the province to open to the outside world in all directions. We should make active efforts to expand the scope of the open zones to enhance the province's strength for opening to the outside world.

(f) Improvement of the Environment for Opening to the Outside World

In the course of emphatically strengthening organizational leadership over the work of opening to the outside world, perfecting the rules and policies of the work of opening to the outside world, and cultivating the intangibles, such as the ranks of cadres, for opening to the outside world, we should further strengthen the building of the tangibles, focusing on strengthening the building of such infrastructure as urban transportation, water supply, energy supply, and postal and telecommunications facilities. We should focus on strengthening afforestation and environmental protection and on enhancing the comprehensive service functions. During the Eighth Five-Year Plan period, the emphasis of the construction of the tangibles should be placed on the provincial capital, the coastal open areas, and the cities whose economy is well developed but which have not yet been listed as open areas. The construction should be focused on roads, harbors, power facilities, communication facilities, and water supply facilities. Those projects whose construction has already been arranged should be accelerated in order to effect a marked improvement in the basic facilities of the provincial capital, open areas, and the economically developed central cities. The province as a whole should strive to make 40 or more cities and counties (including the cities of the county level) basically attain the level of having a reasonable scale, having

complete facilities, and having the ability to attract foreign investment. With township and town enterprises as the supporters, the province as a whole should build up a number of new type of townships and towns which are rationally arranged, have good transportation services, and have local distinguishing features.

I. Conscientiously Intensify Efforts To Build the Spiritual Civilization To Coordinate Development of Social Undertakings With Economic Development.

We should organically integrate the building of spiritual civilization with that of material civilization in line with the principle of simultaneously grasping the building of spiritual and material civilizations. This is not only the inevitable demand of the material civilization construction itself, but is also the fundamental guarantee for building socialism with Chinese characteristics. Along with the increase in the investment in building the material civilization, we should accordingly increase the investment in building the spiritual civilization during the Eighth Five-Year Plan period.

(a) Greatly Intensify Socialist Theoretical Study and Education, and Ideological and Political Work

We should intensify the study and propaganda of the basic theory of Marxism-Leninism-Mao Zedong Thought, and actually attend to ideological and political work. We should profoundly and continuously conduct among cadres and the masses throughout the province the education on the party's basic line and the basic national conditions, the education on persisting in the four cardinal principles and opposing bourgeois liberalization, the education on patriotism, collectivism, and socialism, the education on self-reliance and arduous struggle, the education on national defense, democracy, and the legal system, and the education on social morality and professional ethics. Through education, we should solve the questions about socialist beliefs, about the outlook on life and values, about thinking methods and work style, and about whom we should serve. We should continue to profoundly launch the activity of learning from Lei Feng throughout society, should unfold among enterprises the activities of learning from Daqing, iron men, and Liuzhuang Colliery, should advocate the spirit of Kailuan workers "who are especially competent in fighting," should unfold among the vast number of party members and cadres the activity of learning from Jiao Yulu and learning from Fu Xianzhong, and should launch among juveniles and children the activity of learning from Lai Ning. In addition, we should further promote the building of various kinds of spiritual civilization activities, such as building civilized villages and towns and pooling the efforts of the Army and civilians to jointly build model "double-support" cities. We should consolidate and develop mass autonomous organizations, such as the "councils for weddings and funerals," the "women's groups for banning gambling," and the "villagers' groups for discussing affairs," in order to make the province's building of the socialist spiritual civilization reap even richer fruits. We should

enhance the national spirit, improve social values, and use common ideals to mobilize and unite the people throughout the province to plunge into the magnificent causes of building and invigorating Hebei.

(b) Actively Develop Literature and Art, the Press and Publications, Radio and Television, Archives, Sports, and Other Social Undertakings

Literature and art, press and publication, and radio and television undertakings are important component parts of the building of the socialist spiritual civilization. Therefore, we should further develop these undertakings and make them flourish under the guidance of Marxism-Leninism-Mao Zedong Thought and in line with the direction of serving the people and serving socialism.

In literature and art, we should implement the principle of "letting a hundred flowers blossom and a hundred schools of thought contend," inherit and develop opera, music, dance, painting, quyi, and acrobatics characteristic of our province, and strive to make our literary and art creations flourish so as to provide healthy and beneficial nourishment for the minds of the people. We should further rationalize the system for the management of the cultural market; continue to rectify the market for newspapers, magazines, and video and audio products; consolidate and expand the antipornography achievements; and carry out large-scale mass cultural activities to enliven the urban and rural cultural life and provide good public opinion and a cultural environment for economic construction. By the end of the Eighth Five-Year Plan period, we should strive to make every county have a library, and improve the work conditions of county-level cultural centers. We should strengthen the protection of relics and manage relics according to law.

In publications, we should put the improvement of the quality of pictures, books, and newspapers and the improvement of social benefits in the first place, with the focus on controlling the quantity, adjusting the structure, and improving the quality. We should bring into better balance the relationship among compiling, printing, publishing, and distributing units to ensure the healthy, all around, and coordinated development of press and publication undertakings. During the Eighth Five-Year Plan period, the total number of the types, impressions, and copies of newspapers, journals, pictures, and books should increase by 2 percent every year.

In radio and television, we should continue the principle of "seeking truth from facts, acting according to our capacity, attaching importance to efficiency, and achieving coordinated development"; balance the relationship between radio and television broadcasts, between cable and wireless broadcasts, between central and local broadcasts, between urban and rural broadcast; and between the production and transmission of programs and the coverage of broadcasts; and achieve greater success in our province's radio and television

undertakings. By 1995, the province's radio and television coverage should rise from the current 73.1 and 83.1 percent, respectively, to 85 and 88 percent; the provincial color television center should be completed; and the program production capacity of the provincial television station should increase from the current one hour per day to five hours.

In archives, we should intensify the construction of facilities and the improvement of personnel. We should administer archives according to law, strive to improve the archives preservation conditions, make our management of archives more scientific, and actively develop archives information resources to effectively serve the two civilizations. By 1995, the number of files kept in the state archives at all levels in the province should be increased from 3.5 million in 1990 to 4 million, and that of data books from 1.42 million to 1.7 million, and the accumulated number of files open to the public should reach 600,000.

In sports, we should launch large-scale mass sports activities, improve the people's physique, and improve the level in contests. By the end of the Eighth Five-Year Plan period, the number of the people who participate in sports activities on a regular basis should increase from the current 30 percent to 35 percent. We should make the physical culture and sports in schools successful, and properly increase the number of sports teachers and sports apparatuses. We should intensify the training of outstanding reserve personnel, establish a high-level sports team, and strive to rank among the best ten in the total score in the seventh national games to be held in 1993.

4. Political Guarantee for Implementing the 10-Year Program and Eighth Five-Year Plan

We should first maintain political and social stability if we are to fulfill the glorious and yet arduous task of doubling the GNP once again and improving the people's life to a fairly comfortable standard. All localities, departments, and units should regard it as an important political task to safeguard stability, take the initiative in resisting and opposing all ideas and acts detrimental to stability and unity, and further consolidate and develop our province's stable and united political situation.

We should actively and adequately push forward the reform drive in the political system. Conducting reform in the political system represents the guarantee for economic reform and also represents an important component in the entire cause of conducting reform, opening to the outside world, and building the socialist modernization. We should uphold and improve the local system of the People's Congress and the CPC's system of multiparty cooperation and political consultation; bring into full play the role of local People's Congresses at all levels, of the Chinese People's Political Consultative Conference [CPPCC] committee, and of various democratic parties as well as of mass organizations; and establish or improve the procedure and system of making policy

decisions and conducting supervision in a democratic way. In the course of coordinating with the state the pilot work of conducting reform among organs, we should enhance the functions of the departments in charge of comprehensive economic affairs, economic readjustment, and economic supervision and inspection; simplify or curtail the overlapping administrative organs; have a better staff and simpler administration; and establish administrative and economic managerial systems with simpler and more harmonious styles and that are more efficient so as to meet the demands of organizing the "great chorus" and successfully fighting the "total warfare" of economic construction. Meanwhile, efforts should be made to continuously enhance the building of administrative honesty, to correct malpractices; and particularly to wage protracted, unswerving, and resolute struggles against corrupt phenomena.

Enhancing the building of socialist democracy and legal systems represents the fundamental guarantee for pushing forward the reform drive in political systems and in improving the socialist political systems. It also represents an important guarantee for safeguarding stability in politics and society and for realizing protracted order, peace, and prosperity in the country. We should continuously enhance the building of democracy among grass-roots units in both urban and rural areas so as to protect the democratic rights of the vast number of people in managing their own economic, political, and other affairs. Based on fulfilling in an overall way the first five-year plan for popularizing legal systems, we should actively enforce the second five-year plan in this regard to enhance all the citizens' sense of the legal systems. Efforts should be made to enhance the supervision and inspection over law enforcement; to resolutely prevent or correct the phenomena of acting illegally or not strictly enforcing the law or not calling law violations to account; and to safeguard the sanctity of laws.

We should succeed in public security and mobilize all social forces to join in the comprehensive activities of consolidating public security. Efforts should be made to implement the principle of integrating the work of specialized organs with the mass line, to strengthen the function of the people's dictatorship, to resolutely deal blows at the sabotage activities of hostile elements and counterrevolutionaries at home and abroad, and to strictly punish in line with the law the serious criminals and economic crimes. According to the different laws and characteristics of criminal activities committed in different periods, we should grasp the emphasis of crimes and organize concentrated blows at crimes in a timely manner and organize a special struggle against them so as to enhance the people's feeling of safety. Efforts should be made to adopt effective measures to establish the system of having all people join in the crime prevention work and the work of consolidating public security and the network of joint operations among the armed forces, police, and civilians. Efforts should be made to enhance the prevention work of public security and to mediate, handle, and relieve in a timely manner

various contradictions and disputes so as to eliminate the socially unstable factors. We should heartily commend the advanced personages and deeds in boldly waging struggles against law violations. We should mobilize the people throughout the province to mutually maintain the social peace and to create a more safe social environment for the cause of socialist reform and construction.

We should enhance the CPC's leadership over the economic work and other social undertakings. This is the fundamental guarantee for us to win a victory in various undertakings. We should realistically consider the economic work as the party's central task and enable the party organizations to truly become the strong core of directing the socialist modernization and to better unite with the people across the province to steadily pioneer a road of advance.

We are facing very glorious but quite arduous tasks in the 1990's. The Communist Party members and the members of the Chinese Youth League, as well as the broad masses of cadres, workers, peasants, intellectuals, soldiers stationed in the province, armed police officers and fighters, and public security cadres and policemen; various democratic parties; mass organizations; and nonparty patriotic personages throughout the province should heighten their spirit, advance despite difficulties, unite as one, engage in construction with single-hearted devotion, conduct their work in a down-to-earth manner, and strive to successfully fulfill the 10-year program of economic and social development and the Eighth Five-Year Plan.

FINANCE, BANKING

Securities Market Makes Good Progress

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[ECONOMIC REPORTER] in Chinese No 35, 2 Sep 91
p 30

[Report by CHING-CHI TAO-PAO reporter: "China's Securities Market Enters a New Era of Development; on the Founding of the China Securities Association"]

[Text] The China Securities Association, the first nationwide organization in the history of the development of securities business in China—an organization with the ability to regulate itself in management—was officially established in Beijing on 28 August. More than 600 people from economic and financial circles, securities community and all walks of life in China and abroad attended the inaugural ceremony. The founding of the China Securities Association shows that China's securities market has entered a new stage of development and that it will have a major, profound impact on China's financial reform.

State leaders attending the inaugural ceremony included Chen Muhua, vice chairwoman of the NPC Standing

Committee, and Li Guixian, State Councillor and Governor of the People's Bank of China. The nine deputy directors of the China Securities Association were also seated on the rostrum. Noted people in the securities business from the United States, Britain, Japan, South Korea, Taiwan, Hong Kong and other countries and regions also made special trips to China to attend the ceremony to mark the founding of the association.

Development Process of China's Securities Market

Guo Zhenqian, Vice Governor of the People's Bank of China and director of the China Securities Association, briefed those attending the ceremony on the development of China's securities market. He said that the founding of the China Securities Association is the common aspiration of all those working in securities circles and an important hallmark for the initial development of the securities trade in China. China's securities market is a direct product of reform and opening up, and is closely connected to reform and development of the whole national economy. China's securities business has gone through a development process of more than a decade if we trace it to the economic and financial structural reforms in 1979. During this period of more than a decade, China has issued more than 200 billion yuan (renminbi, same below) worth of value-proof securities. The total volume of securities transactions will exceed 50 billion yuan this year. The varieties of securities have increased, adding enterprise bonds, financial bonds, stocks and shares, etc., to the original state treasury bonds. Particularly in recent years the securities market has developed quite rapidly. The various types of securities issued in 1990 totalled 93.8 billion yuan, an increase of 38 billion yuan, or 68 percent compared with 1988. The total volume of securities transferred in 1990 totalled 13.6 billion yuan, an increase of 11 billion yuan, or 4.2 times that in 1988. This year will register an even higher rate of growth in terms of the issuance and transfer of various types of securities compared with last year. Following the development of the securities market, the number of institutions handling securities business is also gradually increasing. As of now, the number of securities companies approved by the People's Bank of China has reached 59. In addition, there are more than 300 agencies and transaction counters for securities transactions. With the approval of the State Council, Shanghai and Shenzhen Special Economic Zone were selected as pilot areas for securities exchange business, and bourses were established. To facilitate the flow of information, and link securities markets in various localities throughout the country, a nationwide information and price quoting center for the money market has been set up with the approval of the People's Bank. A multi-level securities market system that combines centralization with decentralization has preliminarily taken shape. Practice proves that the opening and development of China's securities market play an active role in balancing the financial budget, opening up more channels for enterprises to raise funds, guiding the use of consumption funds, supporting the readjustment of

industrial structure, promoting reform of the shareholding system on an experimental basis, and helping the economy to develop in a sustained, stable and coordinated way.

Guo Zhenqian emphasized: The "Outline of the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development" clearly point out: "Continuously encourage residents to increase savings deposits; in a planned manner and step by step, expand the issuance of all types of stocks and bonds; strictly improve management; and gradually achieve diversification of financial assets in society." "Steadily develop the financial market, increase financial channels, improve securities circulation markets, gradually set up stock exchanges in large cities that have favorable conditions, and gradually form a standard stock exchange system." On the basis of these requirements, the People's Bank has decided on a reform plan for the development of the money market during the Eighth Five-Year Plan. Now it has begun to implement this plan. It can be expected that with the deepening of the development of China's planned commodity economy and the reform of its economic and financial system, the securities market will definitely witness a new development.

Role in Founding Securities Association

Pointing out the significant role in founding the China Securities Association, Guo Zhenqian said that organizing the association is conducive to pooling the forces and wisdom of the entire trade, and joining our efforts in exploring the path to develop a socialist securities market with Chinese characteristics. It helps strengthen professional management to regulate itself, and organically integrates itself with government administrative departments. It also helps strengthen the whole system, as well as personnel training, and promote international exchanges and cooperation. In short, through the founding of the association, we are able to strengthen management of the whole trade for self-regulation, help government departments implement relevant policies and measures, and contact foreign countries. The association will become a bridge and link to strengthen ties between the government and institutions that sell and buy securities, and promote the sound development of China's securities market.

Association's Six Tasks

Guo Zhenqian said that the China Securities Association is a nationwide trade association, with wide connections, substantial work, and heavy responsibility. It will actively carry out the following six tasks:

1. Energetically carry out theoretical studies, and strive to explore the path, orientation and strategy for the development of China's securities business, while centering on the central theme of building the socialist securities market with Chinese characteristics. Business involving securities is a new trade in China, and there are many major problems to be solved in theory and in

practice. To develop securities business in China, we should not adopt a closed-door policy, nor westernize everything. We must persist in combining international practice with China's own state of affairs. This is a fundamental principle.

2. Coordinate with organizations that deal in securities, help the state and government strengthen legal and administrative supervision over the stock market on policy matter, and set up and improve the management system that is capable of regulating itself in the securities trade.

3. Vigorously strengthen professional training of those who deal in securities, establish an examination system, improve the overall quality of securities personnel in professional management and administration.

4. Foster the concept of wholeheartedly serving members, the stock market and people from all sectors in society.

5. Actively carry out the work of keeping in touch and promoting exchanges with overseas securities circles, and people of the same trade in foreign countries.

6. Pay attention to training securities dealers, persist in simultaneously developing material civilization and spiritual civilization, and do a good job in integrating ideological education with professional guidance.

Bond Market Activity 'Brisk'

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pp 6-7

[Article by Li Shiyi (2621 0013 5030): "The Reputation of China's Government Bonds Is Constantly on the Rise"]

[Text] China has been issuing government bonds for 11 years now, and in 1990, the total amount came to 102.5 billion yuan. Almost every urban and rural family has a stack of the elegantly printed certificates. It can be said that they are the world's most popular bonds.

Although people have been subscribing to them every year, they have only been truly recognized these last two years. This is because their reputation has been constantly on the increase during that time. The changes have been both rapid and large. For example, it used to be that their subscription was a "political duty." Now, a "profit motive" has been added. It used to be that when they were acquired, they went into the bottom drawer, deposited into a dead account. Now, they can be converted to cash and bought and sold. They are profitable—both a treasure bowl and a money tree. These big changes are occurring on the Chinese mainland right now.

The Market Has Given Them Vitality

Since formally opening for business in December 1990, the volume of business transacted by China's largest domestic center for the exchange of securities, the Shanghai Securities Exchange, has increased each month. In December 1990, the daily trading volume was 6 million yuan. In April 1991, it had climbed to 50 million yuan per trading day, a 7-fold increase. The method of exchange has also shifted from primary over-the-counter transactions to high-quality, first-level exchanges that focus on price competition.

On 1 January 1991, the government permitted market negotiation of 1990 state treasury bonds. As soon as they went on the market, the market became highly active. Quotations were seen to rise, and the force with which it occurred was extremely abrupt. Prices remained strong from January through February. In March, they wavered slightly. In April, stimulated by lower bank interest rates, prices shot up again. With the market price of 100-yuan state treasury bonds rising to a high of 119 yuan, 5 percentage points above their nominal 14-percent annual interest, the earnings of sellers steadily increased. We can see what has been happening from the market's high sensitivity and the brisk activity in buying and selling.

China now has more than 300 cities that have opened stock markets. The volume of negotiable securities changing hands in 1990 came to 13.5 billion yuan, accounting for approximately one-fifth of the total volume issued for the year. With more than 80 percent of all securities issued in China being government bonds, they have a major role in the stock market.

Price quotations have been promptly reported by the STAQ [expansion not given] price quotation center, which 32 securities firms organized at the end of last year. From January to April 1991, the system's trade volume came to 64.82 million yuan. As government bond prices steadily rose, the demand for them increased daily as they won the strong favor of collective and individual investors alike.

Profit Mechanisms Spark Renewed Interest in Government Bonds

The 1991 state budget stipulates that three types of government bonds are to be issued this year in the amount of 19 billion yuan. They break down as follows: 10 billion yuan in state treasury bonds to be issued to individuals and individual industrial and commercial establishments; 7 billion yuan in fiscal bonds to be issued to banking and financial organizations; and 2 billion yuan in special government bonds to be issued to various funds, including organizations managing pension and insurance funds for employees of enterprises, institutions, offices, groups, military units, as well as enterprises under ownership of the whole people and organizations managing unemployment insurance funds. The work of issuing them began in April, two months earlier than last year.

Beginning in July, the work of repaying the principle and interest on the national debt was carried out on schedule. In 1991, the state will pay out 15 billion yuan on bonds that have reached maturity.

Government bonds began to sell well in 1990. Three-year state treasury bonds that were issued last year had a high annual interest rate of 14 percent. When the rules governing state treasury bonds were announced, their interest rates were already 2.12 percentage points higher than the April bank interest rates were for three-year savings accounts covering the same period. The interest at maturity for a state treasury bond purchased for 1,000 yuan would be 420 yuan. For a bank savings account of 1,000 yuan, it would be 356.40 yuan. Buying the government bond would have earned 63.60 yuan more in interest. In August 1990, banks again dropped interest rates and, added to that, commodity prices for the year only rose about 2 percent. That made high-interest state treasury bonds even more attractive, and for a time, they became the object of panic buying. In many places, people lined up to buy them. In a few months, the more than 90 billion yuan that had been issued for the year was completely sold out. Following that, people began to vie with each other for their secondhand purchase. It could be said that each wave was higher than the last.

State treasury bonds issued in 1991 continued to maintain their high rate of interest. The annual interest on three-year bonds is 10 percent, 1.72 percentage points higher than on bank deposits, and at maturity, each 1,000 yuan can earn 51.60 yuan more than in a bank deposit.

The state exempts from regulatory income tax the interest individuals earn who buy state treasury bonds. This is more favorable treatment than accorded any other security. When they were issued in Beijing in the middle of May, people in the city flocked to buy them. Many knew perfectly well that the state treasury bonds issued in 1991 would not begin to earn interest until 1 July and, if purchased before that, would earn no interest until then. However, they were afraid they would be unable to buy them, and the trick was to buy them as soon as they could. From 20 May to 20 June, over-the-counter sales of state treasury bonds by the Beijing Municipal financial system alone was 27 million yuan. This was rarely seen before.

A common view among those trying to buy government bonds is that high interest is not their most attractive aspect. In past years, government bonds have generally had higher interest rates than banks, but this is not what has influenced people. Beginning in 1988, when the state announced that it was allowing its bonds to be traded on the market, as many as 1,000 security firms and their units around the country opened for business. One after another, government bonds of every variety have come onto the market, and the general run of people discovered that, as they accumulated more and more of them, they were not "dead money" and that they could be turned into liquid funds. When money is urgently

needed, people can go to their nearest securities firm and sell them. The interest they will have earned will be more than they would have earned in a bank for the same amount of money for the same length of time. The reason for this is that loss of interest suffered from early withdrawal from bank time deposits is fairly large, whereas it is fairly small when state treasury bonds are sold before maturity.

Once people find out about their comparative advantage, state treasury bonds will become a means for them to make financial investments and, at the same time, save their money. Before new government bonds were issued in 1991, peoples' savings accounts nationwide amounted to 7-800 billion, their cash on hand came to about 200 billion, and principal and interest on state treasury bonds maturing in 1991 was 15 billion. There is no doubt that such vast amounts of funds that the public is saving will provide a wealth of economic resources for the government bond market. By the same token, growth of the government bond market will create business prosperity and trade activity.

The Emerging Trend Toward Commercialized Government Bonds

Our financial experts have analyzed the features of this year's government bond market as follows:

Government bonds no longer simply rely on administrative means for their issuance to citizens. They have become a means of savings, profit, and investment which citizens purchase voluntarily. In the past, they were generally bought in amounts of several 10 or several 100 yuan. Now, they are bought for as much as 1,000 or 10,000 yuan and even 100,000 yuan is common.

It used to be that the general run of people sold a great deal on the market but bought little. Now it is just the opposite. Since securities firms have been buying secondhand negotiable securities, people's purchases have been constantly increasing. Buying and selling among the securities firms is also causing a shift from large-scale disposals to large-scale purchases. In 1988, just when the government bond market got started, inflation was sweeping the country. From 70 to 80 percent of all government bonds were sold off at that time. During the last half of 1990, when interest rates on bank savings accounts dropped and commodity prices were holding steady, the purchase and sale of government bonds, for the most part, were in balance. Since the end of 1990, the demand by securities firms and individual persons to buy secondhand bonds has been constantly on the rise. In March of this year, bond dealers associated with the Wuhan City financial system bought 58.27 million yuan and sold 64.11 million yuan in government bonds, the demand to buy being greater than that to sell.

Market prices are gradually becoming equitable. A feature of this has been that the earnings rate for bonds bought secondhand have continued to slip. They are gradually approaching bank interest rates. For example, last year, the price of 1986 government bonds traded by

financial sector dealers went from 120 yuan in April 1990 to about 140 yuan in December, an average monthly increase of 2.20 yuan. During the first four months of 1991, the price of 1990 government bonds gradually climbed from 107 yuan in January to 118 yuan in April, an average monthly increase of about 2.70 yuan. The earnings rate for secondhand bonds has correspondingly dropped from a high of 14.75 percent in January to 8.39 percent in April because of their continued rise in market value. This is slightly lower than the two-year bank interest rate instituted in August 1990.

Regional price differences are shrinking. In January 1991, government bond prices in Beijing were approximately 8 percent lower than in Shanghai. After several months, Beijing prices caught up, and the two cities are now roughly the same. At present, government bonds change hands in some areas in the northwest, north China, Guizhou, and the South China Sea region at prices cheaper than in Shanghai. This is because of inadequate communications and rigid adherence to prices fixed administratively. Other middle- and large-sized cities closely follow Shanghai. Their price differences are relatively small, and some of their prices are even higher than Shanghai's. Shanghai plays a decisive role throughout the country in the exchange of negotiable securities.

The various features described above show that government bonds have now appeared on the economic scene in the form of a financial commodity. We have to say that this is a fine thing, a new outgrowth of economic reform as well as fiscal and financial reform.

China's Gilt-Edged Securities

Issuing government bonds is one important way that many governments of the world in our time have of conducting financial transactions. China resumed issuing them 1981. Initially, administrative means were used to set goals for their sale. Cadres, employees, and the common people saw them as an "obligation." Given the lack of various objective conditions, such as issuing agents, trading firms, markets, and trained personnel, the people of China at the time understood and even supported this as the way to do it.

However, using administrative means to issue government bonds cannot, after all, be continued indefinitely. Merely stressing support for state construction is not enough. We also have to acknowledge the vital interests of the subscribers themselves and give them a choice. When the state first allowed government bonds to be traded on the market in 1988, it was widely welcomed and the results were good. The commercialization of government bonds and trading them on the market provided mechanisms which brought together the interests of the state and with those of the individual.

In 1989, the State Council decided to replace the traditional method of issuing government bonds through a single channel with a multichannel approach in which banking, financial, and postal departments would handle

the issuance and the payment of principal and interest on index-linked public bonds and state treasury bonds. This motivated various departments to promote their sale and remedied the slow development of domestic intermediaries such as securities firms.

This year, the government announced that it was conducting pilot projects in certain suitable areas to contract out for the purchase and exclusive sales of state treasury bonds. Groups are to be organized which will undertake the exclusive sale of certain state treasury bonds. Sales to people in the urban and rural areas will be made throughout the country by means of this network. China is once again drawing on the current practices of developed countries. This relieves the financial administration of the burden of making direct sales and makes it easier to control supply-and-demand relationships for government bonds at the first market level. It also give investors an opportunity to choose their financial investment. Our experts think that the new conditions created by this move toward marketization and commercialization will bring new vitality to government bonds.

We will, in the future, continue the succession of reform measures that have been carried out to invigorate government bonds. We can foresee that people's attention is bound to be attracted by such a system for issuing government bonds—a system which involves opening first-level markets, perfecting trading markets, and the important task of setting up mechanisms that put debt on a favorable cycle of activity. This all points to a single objective, the creation by China of its own "gilt-edged securities" (a designation of approval by western economists with respect to high-rated and low-risk government bonds that enjoy good earnings and special preferences superior to other bonds). This represents the common ideal and common goal of the government, financial circles, and the people.

Bank of America Opens in Shanghai

*OW2509225191 Beijing XINHUA in English
1602 GMT 25 Sep 91*

[Text] Shanghai, September 25 (XINHUA)—The Shanghai branch of the Bank of America started business today in China's largest metropolitan area.

Richard Rosenberg, chairman and chief executive officer of the Bank of America, who is visiting Shanghai, said that Shanghai will shoulder an extremely important task in the economic development of the Asian-Pacific region, and will provide benefits to all parts of the world.

Rosenberg said that the Bank of America is pleased to see the great efforts China has made towards deepening reform and opening to the outside world, and that the bank also hopes it can do more and contribute more to the economic development of Shanghai.

The Bank of America first established an agent relationship with China in 1979. Later, in 1981 and 1984, the bank opened offices in Beijing and Shanghai, and in

1985 it participated with other Shanghai financial organizations in helping the McDonnell-Douglas Aircraft Corporation from the United States and the Shanghai Aircraft Industry Company develop the MD-82 aircraft. In 1986, the bank loaned over 475 million U.S. dollars for the development of the Pingshuo Open-Pit Coal Mine in north China's Shanxi Province.

Thus far, some 30 international banks have applied to establish branch banks in Shanghai.

FOREIGN TRADE, INVESTMENT

Shanghai Foreign Trade Volume Recovers

*OW1508063391 Beijing XINHUA in English
0534 GMT 15 Aug 91*

[Text] Shanghai, August 15 (XINHUA)—The foreign trade volume of Shanghai Municipality in east China recovered in July after a slump in June.

The foreign trade value reached 485 million U.S. dollars in July, a 13.3 percent increase over the same month of last year, making the total figure 3.353 billion U.S. dollars in of the past seven months, 10.9 percent more than in the same period of last year.

The increases were mainly in the fields of light industrial products, and in exports by foreign-funded enterprises.

However, exports of agricultural by-products continued to decrease.

Publication Optimistic on Foreign Trade Outlook

*OW1008015691 Beijing XINHUA in English
0050 GMT 10 Aug 91*

[Text] Beijing, August 10 (XINHUA)—Foreign trade will continue to increase in the remaining five months and hit 125 to 130 billion U.S. dollars by the end of this year, INTERNATIONAL TRADE NEWS [GUOJI JINGMAO XIAQXI] reported.

According to the newspaper, the figures represent a 10.8-12.7 percent rise on last year.

The newspaper cited four reasons for its optimistic view on foreign trade growth. They include the implementation of the new system which abolished state subsidies to foreign trade companies, devaluation of the Renminbi yuan against the U.S. dollars, the overall economic improvement and the renewal of loans provided by Western countries to China.

The newspaper also said the end of the Gulf war would provide an opportunity for trade restoration and development between China and the Gulf region nations and the neighboring countries.

China's large purchasing groups to the United States and West Europe in recent months have resulted in the

signing of many big contracts which, in turn, will stimulate trade growth with related countries.

But serious floods in many provinces have also posed some unfavorable factors to foreign trade.

According to the newspaper, the total foreign trade recorded 68.7 billion U.S. dollars in the first seven months of this year.

Brazilian S&T Project Cutbacks Protested

*91SM0396Y Sao Paulo GAZETA MERCANTIL
in Portuguese 19 Jun 91 p 14*

[Article by Luisa Pastor]

[Text] Participants in the Senate's Science and Technology CPI [Commission for Congressional Investigations] over the last two days could have heard protests in Brasilia from sectors that have admitted to perhaps being too silent in other times: the Navy and the Air Force. The former was heard the day before yesterday, through Navy Minister Mario Cesar Flores; the latter, through representatives of Embraer [Brazilian Aeronautics Company] and the Aerospace Technology Center (CTA). What they had in common was a lack of resources, resulting in the suspension of strategic development projects for the country's modernization. And a surprising willingness to call public attention to details that, for years, had remained hidden under the mysterious rubric of national security.

Both Minister Flores and Brigadier Major Sergio Xavier Ferola, CTA Director and Embraer Administration Council President, stated that when encouraged, domestic industry has responded successfully to the challenges presented by the technological development of institutions leading in state-of-the-art technology. The problem has been to obtain resources to advance the research, maintain training for the cadres, and keep the training programs up to date. Something that, in the views of both, society, as represented by the National Congress, can try to reverse, by attempting to free up financing for current research, or at least make the rules governing this function, which they consider a straight-jacket on the sector, more flexible.

In the specific case of Embraer—grappling with the almost paralyzed CBA-123 project, in agreement with Argentina, and the EMB-145 jet, which is progressing slowly and having to use the McDonnell-Douglass wind tunnel for tests, compromising its technology—the resources promised by former Economics Minister Zelia Cardoso de Mello and which are being renegotiated with Minister Marcilio Marques Moreira, mean the very survival of the enterprise. In total, according to Embraer Financial Director Jose Sousa Santos, it will require \$600 million to put an end to the contractions resulting from the lack of materials, pay debts to suppliers, and who knows, give some of the salary adjustments ordered by the Regional Labor Tribune and which Embraer alleges it has simply been unable to do.

Already projects such as the Chinese-Brazilian satellite and the Brazilian Complete Space Mission (MECB) Satellite Launcher will require grants of \$20 million and \$10 million this year, respectively; they have received \$2 million and \$6 million. The fact that progress on the joint Brazilian-Chinese program to develop a one-ton satellite has been compromised (and with it Brazil's credibility as a partner within the world scientific community), is of primary importance, according to former National Institute of Space Research (INPE) Director Marco Antonio Raupp. He cites the case of the Intelsat and GOES satellites, which are commercial, but which in the Malvinas and Gulf wars had their flow of meteorological and communications sector information interrupted.

"With the development of the Brazilian satellite and launcher, we can compete in a market that currently represents \$6 billion annually," says Ferola, who believes that the strong international pressures to keep technology from crossing over to Brazil are merely a pretext to try to prevent the country from competing in that privileged market.

Formation of Brazilian Joint Ventures Viewed

*91SM0396Z Sao Paulo GAZETA MERCANTIL
in Portuguese 14 May 91 p 6*

[Article by Livia Ferrari]

[Text] With a trade deficit with Brazil of \$635.5 million, one of the objectives of the Peoples Republic of China delegation visiting the country is to increase the volume of Chinese exports to the Brazilian market, primarily merchandise from the textile sector, light industry, chemicals, and mechanical and electronic products. Last year, China's foreign sales to Brazil were only \$82.9 million, significantly less than the \$300 million exported in 1987. Meanwhile, Brazilian sales to that market totaled \$718.5 million.

However, in addition to balancing Brazil-China bilateral trade, the delegation led by Economic Relations and Foreign Trade Vice Minister Tong Zhiguang also intends to initiate agreements to form joint ventures in the areas of telecommunications, aviation, aerial photography, services, satellite launching, and food production, particularly coffee, cacao, soybean and orange juice. "China and Brazil are both developing countries and in many respects their economies are complementary," noted the Chinese Vice Minister during a meeting with Brazilian business leaders at the National Confederation of Industries (CNI). According to him, in the process of opening its economy the Government of China has encouraged foreign investment in the country and Chinese investment abroad.

Tong Zhiguang, who continues today on to Brasilia, where he will participate in the sixth meeting of the Joint Brazil-China Commission, emphasized that the goals established in the 1991-95 Five-Year Plan call for 6 percent annual growth in the Chinese Gross Domestic

Product (GDP). 1990 growth was 5 percent. And in Zhiguang's opinion, that rate of economic expansion has been reflected in an increase in the domestic demand for oil, and consequently in the reduced availability of exportable surpluses of that product. That fact explains in large part the growing and successive trade disequilibrium between China and Brazil. China produces 120 million tons of oil per year, a product that in 1987 accounted for 90.9 percent of total Brazilian imports from that country. In 1989 the share fell to 61.9 percent, declining from two million tons of Chinese oil imported to the current 750,000 tons.

AGRICULTURE

Beijing Breeds First Group of 'SPF Hogs'

OW2909022291 Beijing XINHUA in English
0155 GMT 29 Sep 91

[Text] Beijing, September 29 (XINHUA)—China has succeeded in breeding its first group of SPF [expansion unknown] hogs, which are immune to common chronic diseases.

This first nucleus SPF group of more than 40 is being raised at the Beijing SPF Hog Stock Breeding Center near Beijing. They are expected to gradually replace all the existing conventional species.

Beijing started using the most advanced hog breeding technology in the world three years ago under the direction of Dr. K. Barfad from Denmark, according to Li Tangyi, deputy chairman of the Beijing Municipal Science Commission. The program has so far cost more than 600,000 U.S. dollars for importing technology and equipment.

He said that Beijing plans to breed another three to five nucleus groups of SPF hogs in the coming three years so as to distribute the species nationwide.

Import Volume of Cereals, Oils in Aug 1991

HK3009102791 Beijing CEI Database in English
30 Sep 91

[Text] Beijing (CEI)—Followings is a list showing China's import volume of cereals and oils in August 1991, released by the General Administration of Customs:

Item	Unit	Aug 1991	Aug 1990
Cereals	Ton	970,678	948,806
Wheat	Ton	912,109	895,839
Soybean	Ton	104	85
Sugar	Ton	101,990	85,743
Animal oils and Fats	Ton	8,970	17,162
Edible oil	Ton	111,892	109,124
Other oils	Ton	122,371	126,008

Farm Machinery Market Grows Steadily

91CE0782A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 10 Aug 91 p 3

[Article by Zhu Zhongbin: "Farm Machinery Market Grows Steadily in First Half of This Year: Estimated Gross Sales Will Break Through 20 Billion Yuan This Year"]

[Text] In the first half of 1991, with the constant deepening of state readjustment and rectification, continuing reform, and gradual improvement of the national economy, the national agricultural machinery market has grown, and the sales structure has clearly changed.

According to statistics from the China Agricultural Machinery Company, in the first half of 1991 the gross value of agricultural machinery company system imports was 10.44 billion yuan, an increase of 41.3 percent over the same period last year. The gross value of sales was 11.36 billion yuan, an increase of 35.7 percent over the same period last year, an historically high level. By categories, the value of seven large categories grew overall, but was concentrated in the category of mechanized agricultural implements. In the first half of the year sales were 5.88 billion yuan, an increase of 56.5 percent over the same period last year. Sales in the category of agricultural power and nonirrigation machinery were 1.58 billion yuan, an increase of 23.1 percent over the same period last year. Sales in the category of maintenance equipment were 2.57 billion yuan, an increase of 15.2 percent over the same period last year. By product mix, the large increases were primarily in tractors and transport machinery connected with capital construction and shipping, and farm related plant protection and harvesting equipment. The main characteristics were:

1. The market for tractors is active, and sales are very strong. The supply of large- and medium-sized tractors, especially caterpillar tractors is inadequate, and sales of four-wheel tractors are better than walking tractors. In the first half of this year, 26,500 large- and medium-sized tractors were sold, an increase of 61 percent over the same period last year; 334,000 four-wheel tractors were sold, an increase of 43.8 percent, and 262,000 walking tractors were sold, an increase of 24.4 percent.

2. Sales of harvesting equipment is unprecedentedly strong, and supplies are tight. Sales of plant protection equipment have grown rapidly, thresher purchases were earlier than usual, but sales of machine-powered farm implements have declined. In the first half of this year, 4,677 large combines were sold, a 1.2 fold increase over the same period last year; 64,000 plant protection equipment units were sold, an increase of nearly double; 171,000 tractors were sold, an increase of 44.6 percent; 22,100 machine-drawn plows, harrows, and seeders were sold, a 24 percent decline.

3. Transport equipment grew substantially. In the first half of 1991 25,000 farm-use transport vehicles were sold, a 1.2 fold increase over the same period last year; 92,000 farm-use tricycle transport vehicles were sold, a 1.3 fold increase; 17,500 large tractors were sold, an increase of 94.7 percent; and 145,000 small tractors were sold, an increase of 31.9 percent.

4. The farm-use power and nonirrigation machinery category has changed due to climatic factors, and sales were brisk in May and June. In the first half of 1991, 770,000 farm-use power machines were sold, an increase of 25.8 percent over the same period in 1990, including 626,000 diesel engines, a 23.5 percent increase; 8,640 internal combustion engines, an increase of 44.4 percent; and 447,000 water pumps, an increase of 63.9 percent.

5. Maintenance equipment sales are stable or increasing. Sales of many types of nonagricultural goods have been good, but sales of machinery for processing agricultural sideline products, semi-mechanized tools and other types have not changed much.

Based on the current growth situation of the national agricultural machinery market, it is estimated that in the last half of 1991 with the turn for the better in the rural economic situation and macro-economic measures coming on line gradually, the agricultural machinery

market will grow steadily. The extraordinary flooding in the Changjiang and Huai River valleys this year has had a major impact on the market for agricultural machinery. Due to the concern of the state and government at all levels, the national campaigns against natural calamities and state investment in harnessing major rivers is bound to increase demand for agricultural machinery.

Using seasonal proportions, the China Agricultural Machinery Company has projected that this year's sales of agricultural machinery nation-wide will break through the 20 billion yuan level and reach 21.2 billion yuan, fluctuating between 20.8 and 21.6 billion yuan. In the third quarter it will increase 700 to 1,100 million yuan over the same period last year, and 200 to 600 million yuan in the fourth quarter. In terms of categories, mechanized agricultural machinery sales will continue to grow, and in the last half of 1991 will increase about 800 million yuan. Agricultural power and nonirrigation machinery sales will rise sharply, and in the last half of 1991 will increase 250 million yuan. Maintenance equipment will grow steadily and in the last half of 1991 will increase 250 million yuan. It is estimated that the increase in the agricultural machinery market sales for 1991 will be between 22 and 27 percent.

Urban-Rural Difference in Handling Economic Crime

91CM0518A Shanghai FAXUE [JURISPRUDENCE]
in Chinese No 115, 10 Jun 91 pp 19-21

[Article by Zhang Tian-lun (1728 1131 6544)]

[Excerpt] In the present attack against economic crime, there are some practical difficulties such as the possible differences between the handling of economic crimes committed in an urban setting and those in a rural setting or the question as to whether there should be any difference in handling them. These difficulties have become hot topics of social attention and discussion. As this problem needs to be looked into, this writer is presenting his views on the subject.

A. Unequal Treatment—More Severe Treatment of Urban Economic Crimes and More Lenient Treatment of Rural Ones

1. Fewer cases of rural economic crimes than urban economic crimes are booked. Urban law enforcement agencies are more strict in pursuing economic crimes, and those cases with sufficient evidence against them are charged and prosecuted, but law enforcement agencies on the rural level usually do not book enterprise operators for offenses such as bribery, hoarding, speculation and profiteering, contract fraud, etc. In some places, violators accused of embezzlement and bribery are given a way out. Regulations require the party committee on the rural level to report and transfer such cases to the leadership before booking them, but some cases are never followed up, even with leads.

2. Fewer indictments are brought against rural economic crimes than against urban ones. Urban law enforcement agencies are more strict with respect to indictments after evidence of a crime has been established; the possibility of charges being dropped against a suspect is very low, but law enforcement agencies on the rural level are inclined to be more lenient in this respect. They try avoiding indictments against competent enterprise operators who are already booked but are needed for enterprise operation. As a result, the proportion of indictments brought to court are very low.

3. Comparatively speaking, more lenient punishment is doled out for rural economic crimes. Urban law enforcement agencies are more careful in carrying out court orders in attacking economic crimes, and relatively few cases receive light or reduced sentences. However, on the rural level, even though the number of cases tried and found guilty may be quite numerous, development of the rural enterprise comes into play. The needs of the enterprise and the rural community have to be considered, and lenient punishment is meted out. As a result, the proportion of cases given suspended sentences is higher.

B. Different Social Attitudes Toward Urban-Rural Differences in the Attack Against Economic Crime

1. Cadres in urban agencies and enterprise operators in the cities usually take a negative attitude toward urban-rural differences and feel that a consideration of such differences is generally an adverse approach in the war against corruption. Their important views consist of the following:

(a) Where the law clearly states what is a crime, rural enterprise operators who bribe, hoard, speculate and profiteer should be punished. Cadres and enterprise operators in an urban setting generally have a stronger concept of the legal system. They feel that it does not matter whether one is a rural enterprise operator or a government cadre, or it does not matter whether it is a private or public matter. As long as a criminal act, as defined by the law, has been committed, and the act endangers society, the violator should be punished and not given any special lenient treatment. Arousing the strongest repercussions here are cases in which rural enterprises offer bribes and in which urban cadres and enterprise operators accept bribes. In actual court practice, only bribe takers are punished; no punishment is meted out to bribe givers. In pursuing such cases, urban law enforcement agencies advocate follow up on bribe givers in rural enterprises. Though some localities do punish such crimes, such action has always met with strong objection and resistance from the rural sector.

(b) Everyone is equal before the law. If a person from the city and one from the countryside commit the same kind of offense, there should be no difference in the handling of their crimes. When someone from a rural area is charged and sentenced by a law enforcement agency in Shanghai, cries of "mistrial and too heavy a sentence" and swallowing a "Shanghai lawsuit" are frequently heard. Urban law enforcement agencies are serious about executing their duties, in contrast to the relative leniency that such agencies in the rural sector take in handling economic crimes. This contrast causes urban dwellers to feel crimes have been dealt with "unfairly."

2. Some more open-minded theorists also approve the special lenient treatment given rural wrong-doers in this "attack on economic crime," though the rural-based cadres and enterprise operators are the chief advocates of this approach. Their views are listed as follows:

(a) Rural operators are forced to engage in such acts. Rural enterprises are different from urban ones because rural enterprises have to meet all their needs themselves. In order to open up a difficult channel for enterprise operation in a situation of heightened market competition, rural operators are forced, out of necessity, to give bribes and presents. To find their own raw materials, they are forced to illegally purchase scrap metals of unclear origin. If they can depend on assurances from the state, as many urban enterprises do, they would not engage in unlawful acts.

(b) Rural operators engage in such acts for the public. When rural enterprises offer bribes or purchase scrap metal illegally, they generally do so after approval by the leadership at the plant. As for the person engaging in the act, he is ordered to do so by the plant leadership who has studied the situation. Such acts are not done for personal gain or profit. If the matter does not turn out well, that, too, should be the collective responsibility. As for the act of the individual itself, not only has it not been detrimental to the enterprise's development, it also has contributed to it.

(c) Use of the sales commission is beneficial. The giving and the taking of sales commissions are necessary in the suitable development of the socialist commodity economy, and the total effect must be considered outside old concepts and be evaluated anew from the totality of social economic development. While sales commissions have a certain rotten stigma attached to them, they are a good lubricant and force with which to push the circulation of goods and to further production development. Without sales commissions as an intermediary, rural enterprises nationwide would not be seeing the economic development they are seeing today, and rural reforms and openness would not be seeing the fruitful results seen today. Generally speaking, the beneficial aspects outweigh the bad features. Therefore, sales commissions should basically be approved and not be considered as forbidden crimes.

3. The attention that urban residents and rural peasants give to urban-rural differences in the attack against

economic crime also varies greatly. The income of urban dwellers is comparatively stable, their educational level is higher, their legal concepts and political participation and understanding are also stronger. They react strongly to embezzlement and bribe-taking by cadres and feel victimized by such acts. So they pay more attention to urban-rural differences in the attack against economic crime, particularly against the urban economic crime offender and his circle of family, friends and fellow workers. Their cries against injustice are particularly strong here. On the other hand, the income of the rural peasant is comparatively lower and unstable and development of rural enterprises is closely related to a rise in peasant income. Those enterprises that incur economic problems are frequently those money-making ones that contribute to the increased income of the local peasantry. In addition, the legal concepts held by the peasants and their political participation and understanding are also meager, so they also show little interest in economic crimes committed by rural cadres and enterprise operators and pay no attention to urban-rural differences in the attack against economic crime. On the contrary, peasants who have benefited economically generally ask that rural enterprise operators who have been caught enriching themselves illegally be given lenient treatment so they can continue operating their enterprises. As a result, it is not uncommon to see competent enterprise operators return to their plants to continue in their jobs as plant managers after being charged with economic crimes; they are not prosecuted or are only given suspended sentences. Such a situation would never occur in an urban setting. [passage omitted]

Role of Tibet's Militia Narrated

91CM0552A Beijing ZHONGGUO MINBING
[CHINESE MILITIA] in Chinese No 7, 9 Jul 91 p 7

[Article by Zhang Shizhao (1728 0013 6856) and Zhou Qi (0719 1142): "Building and Protecting New Tibet's Vital Force"]

[Text] Tibet has a more than 300 kilometer long border defense line. It is a region inhabited by Tibetans, Hans, Menba, Lhobas and Huis in which Tibetans account for more than 96 percent of the total.

During the 40 years since the peaceful liberation of Tibet, the Tibetan militia and the PLA have fought shoulder to shoulder, playing a major role in bolstering the unity of nationalities, opposing outside aggression, maintaining social order, and developing Tibet's economy. Their courage and tenacity, their courageous and resolute combat, and their steadfast stand make them a vital force in protecting and building a new Tibet.

The Tibetan militia developed out of earliest forms of peace preservation teams, joint defense forces, teams to protect livestock from hunters, and self-defense forces. They are familiar with the people and the land, and possess an intimate knowledge of the enemy and society. In putting down the rebellion of 1959, 2,850 militiamen fought on the front line of combat in support of the PLA. They shot 176 rebel bandits, took 3,216 prisoner, and captured large stores of small arms and ammunition, cattle, sheep and horses, and gold, silver, and medical supplies.

When foreign aggressors openly encroached on China's territory in October 1962, the PLA issued orders for a counterattack, and more than 30,000 Tibetan militia immediately organized a powerful corps to assist the front. It rushed to the front lines to build roads, haul ammunition, transport food, and carry stretchers for the troops. A committee to support the front was specially set up in Yuanlinzhi Prefecture to which organizational militia were transferred for the organization of combat teams to accompany the troops, the militia fighting alongside the troops wherever combat led. Before the shooting began, more than 2,000 militia helped the engineers. They fought bravely for 17 days and nights to rush the construction of more than 200 kilometers of highways. Once the fighting began, carrying grain, ammunition, and stretchers, the militia rank and file accompanied the troops on deep thrusts and envelopments in the face of wind, snow, bitter cold, and the enemy's artillery bombardments. Twelve men, including militiaman Suolangouzhu from Pingjing Township in Sangri County, encountered four members of the aggressor army while transporting wounded to the rear. They coolly reconnoitered and acted decisively, succeeding in the courageous exploit of killing two of the enemy and taking another two prisoner with their bare hands. Poverty-stricken serf Xiangbachilie from Kesong Township in the Changzhu District of Nedong County hauled ammunition for the troops for more than a

month without complaining of hardship or weariness. The troops on the front line elected him a "model militiaman in supporting the front." Unfortunately, on one trip to the front he was hit with a bullet and killed. His younger brother then took his back pack and continued to hurry toward the front.

In early 1968, reactionary foreign organizations stealthily sent secret agents into our land for the purpose of developing a secret agent organization to gather military, political, and economic intelligence. The former Lhasa Military District immediately organized the militia to work with regular forces in securing bridges and blocking passes in order to capture them. After Tudeng, a secret agent chief whom the intelligence agencies of three countries had trained for a long time, fled to the home of militiaman Zhaxiraodeng in Maerkang Village, Medog County, Zhaxiraodeng had his wife prepare food for the uninvited guest and engage in small talk with him while he went off to the hills on the pretext of gathering firewood to make a quick report to the troops. With the help of the troops and the militia, Tudeng was captured alive. In September 1978, when platoon leader Zhaxiwangdui of Zayu County led three militiamen into the hills to cut bamboo, some fresh footprints they noticed led to the capture of six armed secret agents disguised as people of the Deng nationality. While tending livestock on 17 January 1981, militia of the Jiru militia platoon in Gamba County discovered two foreign soldiers more than 10 kilometers inside the country. They very quickly reported and helped capture them.

The Tibetan militia, which began as virtually nonexistent and weak units, is now in being and strong, and it has played a unique role in stabilizing the situation in Lhasa and Tibet. During the past three years, the region has fielded militia 23,000 times in the course of maintaining social order. In cooperation with units concerned, it captured five key rioters, halted the attempts of a small number of troublemakers to cause trouble on two occasions, and tracked down and seized more than 150 members of hooligan, robbery, and gambling gangs, recovering more than 570,000 yuan worth of illicitly obtained money and goods.

The Tibetan militia is a vital force for protection of the frontiers and maintenance of social order. They are even shock workers in the building of the homeland. Statistics show that 692 specialized households throughout the region have members in the militia. Of these, 598 are households making 10,000 yuan annually, and 18 are double 10,000 households (i.e., earning 10,000 yuan and producing 10,000 jin of grain annually). With the advent of the 1980's, people's armed police units at all levels throughout the region organized the militia to take the road toward wealth as a part of the building of the militia. Militia throughout the region launched competitive campaigns of "exertion for the sake of one's home town in taking the path to riches." As part of this campaign, 15 "demonstration sites" showing the attainment of wealth through hard work were established;

experiences in becoming wealthy and scientific techniques were broadcast to the militia; 88 "young militia families" were established; and the militia were organized to eradicate illiteracy and to study science. A total of 611 poverty relief and distress assistance teams were set up that vigorously launched a campaign to study Lei Feng and provide food and clothing, thereby putting on the road to riches 1,290 families who were the recipients of poverty relief. Sixty-eight militia economic entities were also established to contract the building of houses, hydropower plants, and irrigation ditches, as well as to bring river valleys under control and afforest tracts. Wangjia, a political instructor in the Delai Residents' Committee militia in Xigaze City had the militia establish a construction corps that built house after house in Xigaze City as well as in Gyangze and Namling counties. The corps also built a rest house, a hotel, and a furniture factory, thereby providing employment and increasing earnings. The militiamen's families also gradually became wealthy. The construction corp's enterprise funds went from the original 9,000 yuan to more than 700,000 yuan. Acting under leadership of the Nyemo County People's Armed Police, the Nyemo County militia declared war on the barren river flats beginning in 1988. Since then, it has afforested 2,100 mu, thus not only protecting several hundred mu of farmland from windblown sand erosion, but also partially improving the ecological environment and providing more than 50,000 kilograms of firewood each year for the masses. In March 1991, the national Ministry of Forestry conferred the title of "Advanced Unit in the Greening of the Country" on the Nyemo County People's Armed Police, and political commissar Chen Baoqian [7115 1405 0051] was cited a "labor model in the greening of the country."

2d Artillery Brigade Completes Training

91CM0560A Beijing JIEFANGJUN BAO in Chinese
5 Aug 91 p 1

[Article by Feng Jinyuan (7458 6855 3293) and Chen Dechun (7115 1795 2504): "The More Advanced the Weapons, the More Rigorous the Training Must Be; Brigade in 2d Artillery Corps Spends Five Years Upgrading Equipment, Rated Superior in All Categories in Military Training"]

[Text] A brigade in the 2d Artillery Corps has spent five years upgrading equipment, during which time its military training program has been rated "superior in all categories" every year. It has completed training on upgraded military equipment ahead of schedule, and all of its launch battalions have had their rating raised to classified launch battalion.

This brigade has distinguished itself throughout the history of strategic missile launching in China's army. Not long after it was established in 1960, it successfully launched China's first missile. In the past 30 years, it has carried out many launches of live missiles and participated in anti-nuclear strike exercises. It has successfully

launched 20 strategic missiles, and has received high praise from Vice Chairman Yang of the Central Military Commission.

After the equipment upgrade, the brigade party committee felt that if we were to achieve the best possible coordination between personnel and military equipment, we would have to insist on rigorous training. At the time, they were faced with the arduous task of constructing brigade facilities, and conditions for training were not very good. Nevertheless, they scheduled every aspect of the work in a unified manner and carried out training tenaciously. Faced with an insufficient supply of training equipment, the officers and men diagramed electrical, hydraulic, and pneumatic circuits on blackboards and drafting paper. On their own, they manufactured more than 320 items of simulation equipment. Lacking buildings to carry out their activities, they emptied out 20 units of housing and turned them into classrooms. On their own, they built more than 8,000 square meters of training grounds and one launch area. Lacking teaching materials, on their own, they compiled and wrote more than one million words of teaching materials and in 26 training courses trained a large number of key technical cadres. In order to improve the organizational and command capabilities of military and political cadres at all levels, they asked key officers at all levels to work hard at training and try to become the most competent people in their fields. All military commanders at all levels are now well versed in the operation of their equipment, and a great majority of the primary political officers are capable of standing in for military cadres in carrying out training.

With an eye to the importance of cooperation in missile technology, they have attached great importance to improving the entire brigade's overall level of training. They have cracked down on attendance, which has enabled them to basically resolve the problem of administrative offices requisitioning the services of too many soldiers. The use of soldiers in production has also been held to a limited percentage. At the same time, the content and scheduling of training activities for administrative cadres and personnel performing general labor have been clarified, assuring that professional and coordinated training will be carried out.

Ideological Work in Chemical Defense Regiment

91CM0560B Beijing JIEFANGJUN BAO in Chinese
20 Aug 91 p 2

[Article by Zhang Yuqing (1728 3768 3237) and Yan Jinjiu (7051 6855 0036): "Set To Work on the Two Routines Simultaneously"]

[Text] Recently, an endless stream of investigators and observers have been visiting a certain chemical defense regiment in the Jinan Military Region to learn how they combined routine ideological work with routine management work. They have come away with a vivid metaphor: the two routines are like the two wheels on a car or

the two wings on a bird in the way they work together. So how has this regiment achieved a combination of the two routines? In early August, we made an on-site visit to study this question.

There is an inseparable internal link between the two routines. The core concept is a combination of teaching and management. For this reason, when the regimental party committee demands that the troops be managed rigorously, they always emphasize ideological work. When scheduling ideological education activities, they always formulate corresponding management measures. In the past, whenever an administrative mishap occurred, it was only management departments which felt the "paddle" on their backsides, and problems were never eradicated. Now, whenever the signs of a problem shows up, both management and political departments are called to account, and the cause of the problem is sought in both of these areas. The two departments work together to learn from experience, and they cooperate in order to improve their work. A company cadre said that when management practices are not sound, ideological work can make up for the shortcoming if it is being carried out properly; similarly, if ideological enlightenment is lacking for a time, management (if it is being carried out properly) can make up for this shortcoming.

In actual work, some comrades frequently complain that neither management nor education is being carried out properly. The regimental party committee came to realize that this shows that in pursuing the two routines, one cannot have a cavalier attitude. Working in accordance with statutes, they gradually came up with a set of detailed principles and regulations appropriate to actual circumstances in their unit. They took relatively general statements in the statutes and made them more concrete. There are eight types of activities subject to oversight at the battalion, company, and platoon levels: calisthenics, training, education, construction, labor, entertainment, meals, and sleeping. This assures that cadres will manage every aspect of daily life in the company. They analyzed some mishaps which had occurred in some fellow organizations and upon this basis discovered the law of doing the two routines at key times when they are carrying out dangerous and difficult responsibilities. They pointed out critical junctures and listed "the four key links" which must be properly taken care of ("mixing in with the men," cultivating good habits, organizing extracurricular activities, and enforcing rules).

Strengthening Capability for Handling the Two Routines Simultaneously

In carrying out the two routines, this chemical defense regiment demands that its cadres and key personnel be able not only to manage but to carry out ideological work. To achieve this, they have distinguished between regular cadres and key personnel, and these two groups work hand in hand to train themselves in the basic skills required for the two routines. Last year alone, the regiment carried out seven training sessions for regular cadres and key personnel, and they answered everyone's

questions about problems encountered in implementation of the two routines by combining theory and practice. After analyzing nearly 100 typical case studies, they identified six working habits which must be displayed in order to carry out the two routines: advance preparedness; timely action; adjusting response according to circumstances; strict adherence to routine; perseverance; and ideological and behavioral guidance.

In connection with its implementation of the two routines, this chemical defense regiment has worked hard to expand the knowledge of its cadres and key personnel, making use of leadership science, behavior management science, ideological and political work psychology, and personnel science. Statistics for the past five years indicate that the regiment has written more than 300 articles concerning the two routines, nearly 100 of which have either been published or recirculated at higher levels.

Stressing Implementation of the Two Routines

The objective of the two routines is to make good soldiers. This regiment has used the following traditional method: regimental leaders inspect the companies every night when it is time to turn out the lights; cadres and key personnel in battalions, companies, and platoons check up on each soldier every day. Currently, company level cadres throughout the regiment have achieved "the four knows" (they know where their men are, what they are doing, what they are thinking, and what they need).

The troops are being well attended to, which has enabled cadres in the regiment to know their men well and make an impact with their ideological work. While checking on the men, the regiment has discovered that when older troops are preparing to retire and pack up their belongings, they all worry about having enough boxes to put their things in, so many of them request leave to go shopping, and some even sneak to the commissary to get boxes, twine, etc. The regiment did not simply reprimand them; rather, the logistics department found out how many and what types of boxes they needed and supplied them to the older troops. This kept them from going out too often. By implementing the two routines, the regiment has done everything possible to nip problems in the bud, including the negative effects that the troops suffer from family strife, romantic difficulties, divorce, illness, efforts to enter the party or school, and frustration at work, etc.

2d Artillery Improves Scientific Knowledge

*91CM0560C Beijing JIEFANGJUN BAO in Chinese
22 Aug 91 p 1*

[Article by Wang Gao (3769 7559) and Sun Jilian (1327 4949 3550): "Working To Achieve the Optimum Integration Between Man and Technology"]

[Text] In mid-August, a unit in the 2d Artillery Corps successfully launched a new type of missile, maintaining the 2d Artillery Corps' 100 percent success rate in missile launches over the past five years. This success was the

result of the 2d Artillery Corps' emphasis upon improving understanding of science and technology among its officers and men, and achieving the best possible coordination between man and technology.

In recent years, new types of weapons have been replacing older armaments. The need to improve understanding of science and technology among the officers and men has become an important task for leaders at all levels in the 2d Artillery Corps. This reporter came to understand during interviews that the first step taken by the 2d Artillery Corps has been to enhance people's awareness of science and technology in an effort to stimulate the great masses of officers and men to study and use science. They have launched a wide range of activities to publicize science and technology, and more than 20,000 people have participated in symposia, conferences, and meetings intended to publicize the idea of using science and technology to strengthen the military. Science and technology committees at all levels have actively launched science and technology academic exchanges, held more than 150 conferences on science and technology, and compiled a number of pedagogical

works intended to spread knowledge of science and technology, including *Manual for the Use of Science and Technology by Strategic Missile Forces*, and *A Collection of the Best Articles on Science and Technology from the 2d Artillery Corps*. These actions have facilitated the study of science by the broad masses of officers and men.

The 2d Artillery Corps has established a three-tier training system composed of a training academy, a training regiment, and a training center for brigades and battalions. More than 8,000 cadres and soldiers receive training every year. In recent years, more than 30,000 cadres and soldiers in the 2d Artillery Corps have been evaluated as being highly skilled in technology.

The 2d Artillery Corps has launched "small innovations, small inventions, and small creations" activities in order to train personnel and increase their understanding of science and technology. Since 1983, the 2d Artillery technical equipment system has been established and developed, and the "three small" activities, which used to be spontaneous and scattered, have become organized and planned.

EAST REGION

Laws Impossible To Implement in Rural Villages

91CM0527A Shanghai MINZHU YU FAZHI
[DEMOCRACY AND THE LEGAL SYSTEM]
in Chinese No 6, 12 Jun 91 pp 33-35

[Article by Jiang Jixing (1203 4949 5281): "Survey and Reflection: Rural Puzzlement Over Law"]

[Text] After five years of popular legal education, the legal understanding of many peasants, who for generations have been controlled by laws but did not understand the law, has clearly improved. A number of people can properly use the law to protect their individual legal rights. In our Qinhuangdao Municipality there are some counties that also are actively experimenting with governing by laws. A number of good examples of townships, towns, and villages governed by law have sprung up, and more and more aspects of rural society are coming under the legal system.

However, because of historical reasons and the limitations of subjective economic and cultural conditions, rural legal development still is only in the initial stage. Difficulties of various degrees remain in implementing current laws in the countryside, and some are rather serious. They not only directly affect and limit rural legal development, but also directly affect and limit improvements in the relationships of rural cadres with the people and the stable development of a secure society; more directly they affect and limit the furthering of rural reforms and rural economic development. This is an issue that cannot be overlooked.

Current Law Still Imperfect

For the law to act as a standard to regulate human conduct it must be closely integrated with social practice. Otherwise, it will be impractical. The imperfection of current law in the countryside is mainly manifested in the following few respects:

(1) Some Rural Activities Lack the Necessary Legal Standards

First, planned parenthood legislation is seriously out of date. Planned parenthood is basic Chinese policy and the principal task of the entire party and the entire nation. But presently, with the exception of local "planned parenthood regulations," there still are no appropriate laws to ensure that it is well implemented. This is a great headache for rural cadres. Some peasants crave sons and do not fear pressure or fines, and when economic measures are ineffective and ideological and political activities are powerless, rural cadres quite often adopt administrative measures. This not only causes a predicament for planned parenthood, but also causes dissatisfaction from the peasants and leads to a worsening of cadres' relations with the people. Quite a few rural cadres point out, "We are using unlawful means here to accomplish a

lawful task. If we do this after administrative and procedural laws are passed, the people will take us to court."

Second, rural cooperative economic organizations have no law to abide by and no way to establish legal persons. Since 1948 central documents and speeches by the central leadership have time and again mentioned the necessity of establishing and improving local rural cooperative economic organizations. However, because they lack the necessary laws and regulations, they still have been unable to establish and realize the social status and legal credentials of cooperative economic organizations. It has been difficult for them to perform their functions; external affairs do not work; bank loans cannot be set up; and they are in the embarrassing situation of being powerless to resolve disputes over economic contracts. That is especially true of the majority of this municipality's rural enterprises that have not been established as collective cooperative economic organizations but were set up by village and town party committees and governments. Because property rights are not clear, they lack funds, and they are not well administered. In 1989 alone, 119 enterprises were closed or shut down, causing a loss of 33.57 million yuan in the value of industrial output, and 194 enterprises at the township and village level incurred losses totalling over 7.2 million yuan. Township and town party committees and governments obviously cannot assume this debt and township treasuries do not have this amount of money, nor do they have the responsibility or obligation. It is even more unacceptable for them to shift responsibility to the people, and the members of enterprises that have not been established as collective cooperative economic organizations cannot assume the losses. All these chaotic economic relations result from the failure to establish laws and regulations for collective cooperative organizations.

Third, the rural economic contract management regulations urgently needed for rural economic activities still have not been established. Since the contract system of responsibility linked to production was implemented in the countryside, townships and villages generally have established dual level centralized and decentralized management systems. To ensure collective and individual rights and duties, contractors and those issuing contracts have signed a great many contractual agreements, but when one side violates the contract, there is no law to rely on to force them to totally fulfill their obligations. Although there is now an Economic Contract Law, that law mainly involves the economic activities of enterprises and does not have any specific provisions for rural economic activities. When peasants have economic contract disputes with legal persons, they can only refer to the law's implementation, they cannot implement the law. So, some legal departments in cases of disputes over this type of rural contractual agreement often cite the lack of a reliable law as a reason for not accepting and hearing a case, causing more and more disputes of this sort. With the transformation of the countryside from the self-sufficient small agricultural economy to the planned commodity economy which

bases agriculture on the national economy, the countryside should have reliable laws for its economic management. This requires the establishment of relevant rural economic contract management regulations.

Fourth, we still lack a set of regulations for the protection of rural collective resources and for compensation for their use. Since the comprehensive contract system has been implemented in the countryside, the issue of protection and compensated use of collectively owned land, mountain, forest, water, and mineral resources has become more and more prominent. Now in several rural areas unlawful occupying, cutting down, digging up, and extracting of these resources goes on constantly. According to incomplete statistics, in the past two years alone, throughout the municipality there has been an average of more than 800 cases of seizure of collective land and more than 600 cases of illegal cutting of collective forests a year, an encroachment on collective resources in various degrees. But although relevant current laws have standards for the protection of state land and forest, water, grass, and mineral resources, there are no specific standards for protection and compensated use of collective resources. Even the few provisions that have been proposed are overly general and unworkable. For example, Article 8 of the Land Management Law stipulates, "Collective land by law comes under the collective ownership of the peasants and is managed and administered by such collective agricultural economic organizations as the village agricultural producers' cooperative or the village people's committee." But when it is implemented, after land has been occupied, generally except for paying a land occupation tax to the finance department, land use fees (occupation fees) and revenue from fines are paid to land management departments at the county level and above. Collectives do not receive occupation fees for collectively owned land and cannot realize the benefits of collective land ownership.

(2) Some Provisions of Current Laws Do Not Fit Agricultural Circumstances

One is the extent of punishment. According to relevant stipulations of Article 34 of the Forestry Law and Article 22 of the Detailed Rules and Regulations for the Implementation of the Forestry Law, those who illegally cut more than one square meter of timber or more than 50 young trees in a forested area or more than one-half square meter of timber or more than 20 young trees in a non-forested area, in addition to being responsible for the compensation of the loss and replanting the trees, are only assessed a fine of five to ten times the illegal gain. Those denuding more than five square meters of timber or more than 100 young trees in a forested area or more than two square meters of timber or more than 50 young trees in a non-forested area, in addition to being responsible for compensation for the trees and replanting the trees, are only assessed a fine of three to five times the illegal gain. But there is no provision that clearly stipulates what amount of illegal cutting or denuding constitutes a crime. There is only Article 128 of the Criminal

Code that specifies that "Those who violate forest protection laws and regulations and seriously illegally cut or denude forests or other wooded [areas] will be sentenced to three years or less of imprisonment or forced labor, and can be fined in addition or simply fined." It has not been clearly stipulated how much is considered serious. Presently the public security regulations for administering fines only call for those arrested for illegally cutting less than two square meters of timber to be fined 200 yuan. If they resell it at a profit, would it not be far more than 200 yuan? No wonder the people in that locality say, "If you plan to get rich cutting big trees, do not spend your own money for what you can get for nothing." Obviously these kinds of legal provisions do not help to protect forest resources.

A second thing is that they are unworkable. The Land Management Law stipulates, "When there is a land dispute over right of ownership and right to usage, it is to be resolved by consultation of the persons concerned. When consultation is unsuccessful, it is to be handled by the people's government." It is obvious that there is no administrative review procedure in resolving land disputes over right of ownership and right of usage. There is no way for the relevant department at a higher level of government to conduct an administrative review to correct or resolve the issue. If all the cases are taken to court, under present circumstances, the courts generally would not accept them or would have difficulty accepting them. So, it would take a long time to resolve this type of case.

Also, if it is handled as a public security case in accordance with the public security regulations for administering fines, if the persons concerned do not comply, they would not only have to undergo one ruling, but they would also have to undergo a second ruling. If they again appealed to the court, there would be another judgement, and if they again did not comply, there would be still another judgement. Thus, the punishment procedure is dragged out too long. Sometimes a minor case that calls for incarceration for ten or so days is tossed around for several months, which does not help to expeditiously punish the evildoer and protect the people.

The third thing is that they are not strict enough. For example, Article 8 of the Marriage Law stipulates that "After a marriage is registered, the woman can become a member of the man's family or the man can become a member of the woman's family as agreed upon by both the man and the woman." This provision no doubt is a positive help in accomplishing sexual equality, establishing new-type democratic and harmonious marriage and family relations, and resolving actual difficulties in families where there is a daughter but no son. However, the stipulations of this provision are too general, they do not have strict, detailed rules and regulations with explanations, and they do not have any limitations. For example, now in some rich rural areas, when a young man marries, he brings in a mouth. When a young woman marries, she will not go. She wants the man to settle with her family, creating a sharp increase in the

population of these rich villages and towns. To solve this problem, some rich villages and towns have adopted some reasonable but illegal methods to limit the settling by men with the families of women. If a man intends to enter, he is not given residency. If a woman marries and refuses to go, she loses her residency, is not issued a grain ration field, and is not given a residency base. Village cadres say, "If people want to accuse us of violating the law, there truly is nothing that we can say. But if we did not do this, there would indeed be no way to control the population of our village."

The fourth thing is a lack of coordination. According to relevant stipulations of the current Land Management Law and Forestry Law, the land and forestry management departments at every level above the county level perform the respective functions of managing land, woodland, and forests at that level of people's government. Because the functions overlap and they lack unified coordination, when controversies and disputes arise over rights to ownership and use of land or woodland, they shift responsibility from one to the other. The land department says, "The land has woods on it and the Forestry Law stipulates that disputes over woodland should be governed by the forestry department." The forestry department says, "The Land Management Law stipulates that the land management departments of the local people's governments at the county level and above are in charge of the unified management of land in their administrative territory. What it designates as land includes every category of land use of all land under both systems of ownership. So, it should be managed by the land bureau." But when there are land use fees to be acquired, both sides use the law in not giving in to the other. This type of many headed management with uncoordinated laws and regulations inevitably creates chaos in enforcing the law.

Again, fights arising from disputes between peasants over compensation can be resolved with fines based on the public security regulations for administering fines or as civil compensation based on the General Rules of Civil Law. So, the public security and the courts often wrangle with one another, causing the case to drag out for a long time without resolution.

(3) There Is Still a Rather Serious Situation of Having a Law, Not Relying On It, and Not Strictly Enforcing Laws

Although we have had five years of popular legal education, in some rural localities there still is a rather serious situation of having a law but not relying on it. For example, in implementing the Land Management Law, the phenomenon of infringing on rural streets and roads and wantonly taking over cultivated land to build personal housing continues unabated. According to incomplete statistics, in the last two years in Qinhuangdao Municipality more than 42,100 cases of the illegal occupation of land have been investigated. These have been mainly about the use of village land to build houses. In 1988 in Changli County alone, urban cadres, workers, and staff usurped cultivated land to build more than 800

private houses, and 519 of these privately built houses belonged to party and government cadres. In addition to the wanton occupation of cultivated land by individuals for the purpose of building private houses, the situation of illegal occupation of land by some departments or collectives also is extremely serious. Since 1986, the industrial and commercial system throughout the municipality has taken over more than 1,800 mu of land without permission to build country markets. In Funing County alone the "First Guanna Market" occupied 109 mu of good paddy.

Implementation of the Forestry Law faces a serious challenge. In recent years, because the leadership has not taken it seriously enough and has not protected and struck forcefully, illegal cutting and denuding have become increasingly serious. In numerous localities more is cut than is grown. According to information from the relevant department, an average of more than 2,000 square meters of timber is now illegally cut and denuded each year throughout the municipality. This not only damages forest resources, but it also destroys the ecology.

There are a number of violations of the Marriage Law. Rural early marriages, illicit marriages, and bigamy are constantly increasing. Some through "connections" illegally change their age and register the marriage and some who have not reached marriage age do not register but just live together without permission. In some poor villages, the disgusting custom of "bartered marriages" is still very serious. In registering the marriage, some rural cadres do not abide by the law, but go by personal feelings, regard relationships, or even accept gifts or take bribes. There also are some counties where marriage registration is linked with planned parenthood and they establish a "local policy." If a couple wants to register a marriage they must first pay from 100 yuan to as high as 300 yuan as a planned parenthood deposit. If they do not pay there is no registration. This violation of the Marriage Law is still experienced in some places and is even spreading.

A lack of seriousness in enforcing the law is first manifested in using fines to replace laws and crimes. "Fines" have become a rather common extra-legal sanction in the countryside. There are fines for occupation of land, fines for unlawful cutting of trees, fines for unlawful child-bearing, fines for gambling, fines for stealing, fines for prostitution, fines for insufficient sentencing, and even fines for sufficient sentencing. Fines take the place of laws and have become the only means of punishment for some grassroots cadres and law enforcement departments, saving them trouble and helping them out. The Qinglong Manchurian Autonomous County investigated and prosecuted 12 gold smuggling cases last year and held 122 people for questioning; almost all were disposed of with fines. A peasant in Shuangling Township, Funing County stole old electric cable valued at 3,000 yuan, which constitutes larceny, but was only fined 2,500 yuan. A young person in the town of Qinglong was only fined for assaulting and beating up someone. After the youth

was released, he went so far as to confront the victim and shout, "I have money, I can hit you, I have money, and you simply must endure it!"

The second aspect is interference with human feelings, customs, and relations. Sometimes a case involves flesh and blood. One side still has not been processed and the other side is interceding. Those who want to intervene come pouring in. This makes it very difficult for some grassroots law enforcement personnel to be impartial and incorruptible in "dividing one mu into three" [0001 3965 0005 0433 0966] and judging the case fairly. In one county after a young person who had illegally cut timber was caught and taken to the police station, because he was related to another leader in the county, even with all the evidence on him, the next day the police station instructed the village cadre to let him go and said, "Why are you so unfeeling in your village?" When that person returned, he blatantly said to the village cadre, "When you ran me in, I ate better than at home. I have people. I will cut again, and let us see you run me in again."

A Few Suggestions

(1) A second five-year popular legal education has now begun. We should continue to thoroughly improve rural popular legal education and constantly improve and broaden the peasants' legal concepts and conscientious observance of discipline. We should further improve our basic leadership in popularizing the law, establish sound organizations for popularizing the law throughout the counties and the townships, smooth relations, put the people in place, and improve methods. We should act in accordance with rural characteristics, adopt a number of forms that peasants like to hear and see, and concentrate on publicizing laws that are commonly used in the countryside and on educating the peasants about them so that the laws are widely known and understood.

(2) We should integrate the implementation of administrative and criminal law, further improve the training of leading cadres at every level, further improve the

training of administrative personnel in state organs to administer according to the law, and raise the awareness of party and government cadres and administrative personnel of the need to administer and conduct their business in accordance with the law. Party committees and governments at every level should conscientiously carry out this task under the unified leadership of higher echelons. Party schools at the county level and above should offer classes on the law and conduct structured training for cadres at every level, especially for leading cadres.

(3) Rural law enforcement forces should be improved and the administrative functions of grassroots authorities should be strengthened. Where conditions permit, townships and towns should establish such sound grassroots law enforcement departments as police stations and courts. Where conditions do not yet permit, based on the former system of one station and one court for many townships, personnel should be increased and a central station (court) established.

(4) Sound legal oversight organizations should be established to investigate law enforcement. People's Congresses and functional departments at every level should realistically implement feasible legal oversight principles and conscientiously carry out legal oversight functions, periodically and aperiodically investigating the area's law enforcement situation, and promptly review the good and bad aspects to guide and direct law enforcement.

(5) We suggest that national legislative organs improve legislative research and legislative practice, and where provisions of current laws are not totally perfected, further revise and improve them.

(Comrades Wang Ruihe [3769 3843 6320] and Wang Youli [3769 1635 7787] of the National People's Congress assisted in investigation and research for this article. The author's unit is the Qinhuangdao, Hebei Municipal Party Committee Research Office.)

Political Connections of Business Tycoon Chang Jung-fa

91CM0490A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 223, 23 Jun 91 pp 21-23

[Article by Su Tzu-chin (5685 1311 3830): "Evergreen Does Not Want To Become a Meat Chopping Board—Chang Jung-fa's Political Attitude and His Political and Business Connections"]

[Excerpt] Premier Hao Po-tsun's talk at the Legislative Yuan is causing the furor over the "Evergreen case," which had all but cooled down, to heat up again. Employees of the Evergreen Corporation are whispering to each other: "Premier Hao must have been at odds with President Li lately to talk like that."

However, Evergreen's top executives are telling each other: "We must not get sucked into the whirlpool of a political struggle and be used by others as a 'meat chopping board.' At a time like this, we must not talk too much."

From the way Evergreen employees have reacted to the "Evergreen case," it is not difficult to detect the political, business, and personal connections of Chang Jung-fa [1728 2837 4099], leader of the Evergreen group. No matter how hard Chang Jung-fa has tried recently to "keep a distance" from Li Teng-hui in order to protect himself, the uncommon friendship between the two has long been an indisputable fact.

How strong is the friendship between Chang Jung-fa and Li Teng-hui after all? It has been described vividly by others, but Chang Jung-fa and Li Teng-hui themselves have always spoken lightly of their relationship. Chang Jung-fa has told others: "I did not know that he was going to be president when I first met him." "I have rarely seen him since he became president." And, though Li Teng-hui has not often mentioned Chang Jung-fa or openly supported Chang as he supported Chen Chung-kuang [7155 6850 0342], he did say in public, "Chang Jung-fa is my good friend among the people."

The friendship between Chang Jung-fa and Li Teng-hui is based mainly on the fact that they "can talk in Taiwan dialect" and "can both speak Japanese." Someone noted that Li Teng-hui is "even more fluent in English than in Mandarin," which explains why the relation between Li Teng-hui and the "Mandarin speakers" is somewhat cool, or at least not as "warm" as between him and those who speak Taiwan dialect. Chang Jung-fa is even more of a typical "Taiwanese entrepreneur." He is seldom heard speaking in pure Mandarin. Often he speaks a few sentences in Mandarin and then switches to Taiwan dialect, explaining with a smile that he is "more used to speaking Taiwan dialect." Especially so because Chang Jung-fa likes to criticize people and the government and can do so much more fluently in Taiwan dialect.

In its early years, there was hardly a person other than native Taiwanese in the Evergreen enterprise group.

Recently, however, as the enterprise keeps growing in size and needs more and more competent people, it has begun hiring large numbers of people from other provinces. Especially since the inception of Eva Air, it has no choice but to employ more people of other provinces, because most qualified airline workers are not native Taiwanese. Evergreen employees say, "The chairman is making a painstaking effort to speak Mandarin recently. In the presence of people like Lou Wei-hua [2869 4850 5478] and advisors, he will certainly speak Mandarin."

On the basis of language, Li Teng-hui has long since built a friendship with a "native group," who can speak both Taiwan dialect and Japanese. Most of the first-generation Taiwanese entrepreneurs received a Japanese education, and, like Li Teng-hui, they speak "excellent" Japanese. They can communicate with each other, and it is only natural that "birds of a feather flock together." This circle includes Chang Jung-fa, Chen Chung-kuang, Tsai Hung-wen [5591 7703 2429], Wang Yung-ching [3769 3057 1987], Tsai Wan-lin [5591 5502 7207], and other businessmen and even Huang Hsin-chieh [7806 0207 0094], chairman of the Democratic Progressive Party (DPP). As pointed out by one businessman, a member of this circle, "We often play golf together, and we speak either Taiwan dialect or Japanese on the golf course."

In addition to the language factor, Chang Jung-fa and Li Teng-hui also have a relationship overseas. Because Chang Jung-fa's ocean shipping business is a highly internationalized operation, the name "Evergreen" is indeed very well-known at home as well as abroad. Based on business relations, Chang Jung-fa has built a rather nice friendship with many important foreign political figures. He once boasted, "I have better international relations than the government." An example is that the city of San Francisco has designated 22 June as "Chang Jung-fa Day." One Evergreen employee even pointed out, "In the small European countries, some people do not know 'Taiwan,' but they know 'Evergreen.'"

The friendship between Li Teng-hui and Chang Jung-fa is partially built on their mutual foreign relations. The most often talked about episode is the "story of the port of Norfolk." Years ago, when Li Teng-hui was governor of Taiwan Province, he promised the governor of Virginia, to make Norfolk a port of call for Evergreen ships without first obtaining Chang's consent. To make Li Teng-hui look good, Chang Jung-fa agreed to do so, even though it was a mainly a losing proposition. Needless to say, it made Li Teng-hui feel very grateful.

Because of the unusual relationship between Li Teng-hui and Chang Jung-fa, when policies are bent in Chang's favor, he is likely to be accused of enjoying "special privileges." For example, policy stipulated that container yards could only be located in the vicinity of harbors (for Keelung Harbor, it meant Keelung City and Taipei County), but Chang Jung-fa obtained approval to set up container yards in Taoyuan and Nankan, the first to break this rule. For another example, policy forbade

privately owned airlines to operate international air routes, and Chang Jung-fa was again the first to break this ban. Former Minister of Communications Kuo Nan-hung [6753 0589 1347] repeatedly tried to adhere to the old policy. It is said that "Li Teng-hui was unhappy with Kuo Nan-hung, because Kuo kept refusing to approve the establishment of Eva Air, and, for that reason, he was fired."

The "Evergreen case," recently brought into the open by Yu Mu-ming [7599 1970 2494], member of the Legislative Yuan, is a direct challenge to "Evergreen's special privileges."

In Taiwan society, there is no clear distinction between government and business, and the rule of the game has not yet been established. Under the circumstances, people tend to equate Chang Jung-fa's ability to break traditions with "special privileges," because they always associate him with Li Teng-hui.

Not only the outside people, but also Evergreen's employees, and even Hao Po-tsun, seem to think so. An Evergreen executive, quoting an acquaintance who was in the know, pointed out: "In fact, Hao Po-tsun has no quarrel whatsoever with Evergreen. His recent talk was entirely caused by the case of Huang Ta-chou [7806 1129 3166] versus Liao Chao-hsiang [1675 0340 4382]." Huang Ta-chou is a typical member of the palace guard, while Liao Chao-hsiang is related to the military and Hao Po-tsun. In accepting Liao Chao-hsiang's resignation, Huang Ta-chou had the impudence to go directly to President Li without even informing Premier Hao. Naturally Hao Po-tsun was extremely displeased. This same person pointed out: "It is only natural for the person who is at odds with Li Teng-hui to attack Evergreen and Chang Jung-fa."

Actually, in politics a businessman should always "bet on both sides" and, unless absolutely necessary, never throw in his lot with only one side. Even when he has to lean toward the "bigger side," he should never rashly offend the "smaller" other side. Following this principle, Chang Jung-fa, despite his close friendship with Li Teng-hui, chairman of the Kuomintang (KMT), has always maintained a very good relationship with Huang Hsin-chieh, head of the DPP, and many DPP members. However, he failed to see that besides the KMT and the DPP, there are, in the political arena, also the complicated relations between those in the main stream and those not in the main stream. He forgot to also place a bet on those not in the main stream.

Chang Jung-fa is not a KMT member, and he has indicated that he "will not join any party." Yet each year he gives considerable amounts of money to DPP members. As disclosed by a person in the presidential office, "Chang Jung-fa, Chen Chung-kuang, and Huang Hsin-chieh often met at President Li's home." A high-ranking DPP member said, "Much of the operating funds for Huang Hsin-chieh's party headquarters is privately donated by Chang Jung-fa." To avoid publicity and

trouble, Chang's donations are always made in secret, sometimes through Chen Chung-kuang.

During election time, Chang Jung-fa always "goes abroad," because he does not want to openly support anyone. An Evergreen executive pointed out, "Chang Jung-fa never supports any political group, but most likely will extend a helping hand to individual candidates who ask him for help." Especially because of his ocean-shipping business, Chang travels frequently abroad and does not have much time to spend at home. Even when he is at home, he shuns social functions, and, therefore, does not make many new friends. Those who can really get to know him must have had some relationship with him that goes back a long way, and, if these people run for office, Chang is known to be a very "generous" donor.

Although Chang Jung-fa tries hard not to get involved in politics and follows the principle that a businessman should "bet on both sides," he is not a person with no "political consciousness." Those close to him all know that he is constantly criticizing the government's policies and lashing out against corrupt officials, idiots, and stupidities. An Evergreen executive said, "That is his interest."

Chang Jung-fa once said, "We have seen much in other countries and know how things should be done. We have never seen any other country doing things like our government." The government ban on new television stations has long been a target of Chang's verbal attack. He said bluntly in Taiwan dialect, "The government's excuse for not lifting the ban on new television stations is that there are no more channels, and that is a lie." Then he went on with his verbal attack with fervor and assurance, listing his arguments one by one. To be sure, he was even more forceful when he berated the government for not opening the skies to private airlines.

Before the government lifted the ban on newspapers, Chang Jung-fa also wanted to run a newspaper of his own. In the words of an Evergreen executive, "he would then be able to lash out as much as he wanted." For some reason he gave up the idea, but not completely, and joined the PACIFIC DAILY owned by Chen Chiang-chang [7115 3068 4545] of the Tung Nan Cement Corporation. Later on, he found that the views expressed by some reporters in newspapers were often not to his liking, and he began to chide reporters whenever he ran into them: "You cannot call black white and create social problems."

Once, at the request of communications reporters, Chang Jung-fa gave a rather large press conference to answer reporters' questions. Unexpectedly he started the conference with a monologue and for 10 minutes scolded the reporters like an elder lecturing a bunch of juniors, stressing all the time that "reporters must be responsible to society." Fortunately he talked with more humor than anger, and did not cause many retorts from the reporters. Since then, however, the management of the Evergreen

group has tried to keep contacts between Chang and the press to a minimum in order to prevent him from "getting into an uncontrollable abusive mood" and unknowingly offending people for no reason.

The "National Policy Research Center" established by Chang Jung-fa is also regarded by people as a staff organization for Li Teng-hui. This can be seen from the fact that many of the research personnel who recently joined the "State Reunification Commission" and many of the research reports adopted by the commission were from the research center. It is learned that the research center was established by Chang Jung-fa at the request of Li Teng-hui as an example of a businessman's repayment to society. Therefore, when Li Teng-hui's close friend Huang Shih-cheng [7806 4258 1004] recommended the scholar Chang Jui-meng [1728 3843 3718] for the job of executive officer of the research center, Chang Jung-fa met several times with Chang Jui-meng and, finding him quite agreeable, handed the entire research center over to him without hesitation.

Chang Jui-meng was graduated from Taiwan University's economics department. He is a native Taiwanese from the south. Though he studied in the United States, he has retained Taiwan's "native flavor." He speaks in Taiwan dialect with Chang Jung-fa, and a tacit understanding has developed between the two. Chang has great confidence in the doctor and has given him full authority. A scholar at the research center said, "Since the inauguration ceremony, Chang Jung-fa has virtually played no part in running the research center." A personal aide to Chang Jung-fa put it this way: "Chang Jung-fa does not have a great educational background; he often calls himself a 'doer.' He expresses many opinions about newspaper commentaries, but when it comes to theses written by experts and doctors of the 'theoretical school,' he stays at a respectful distance and has little to say." [passage omitted]

Editorial Discusses Joining APEC

91CE0796B Taipei CHING-CHI JIH-PAO in Chinese
31 Aug 91 p 2

[Editorial: "What Taiwan Expects From Joining APEC"]

[Text] Taiwan's enthusiastic participation in international economic affairs over the past few years has achieved some breakthroughs lately. President Bush of the United States has publicly expressed support for Taiwan's membership in the General Agreement on Tariffs and Trade [GATT]. Taiwan has agreed to participate in a special fund set up by the European Bank of Reconstruction. This Thursday the council of the Executive Yuan ratified the agreement that the government had signed with Central American banks under which Taiwan would join the "Central American Economic and Social Development Fund." And this Wednesday, the Asian Pacific Economic Cooperation Conference

[APEC] announced that three Chinese economic entities, namely Taiwan, Republic of China, Hong Kong, and Mainland China would formally be admitted as member nations. Each of them would despatch officials to take part in APEC's third ministerial conference to be held in Seoul in November. Our countrymen are following this development most closely.

An "integrated market" will emerge in the European Community [EC] next year. The United States and Canada are working assiduously to draw Mexico into the U.S.-Canada free trade zone to form a North American common market. President Bush goes even further; he has plans to extend this integration trend southward by incorporating countries in the Caribbean and South America into a "Pan American common market." Under these pressures, economic cooperation in the Asian Pacific area is more necessary than ever. Currently there are three major organizations of economic cooperation in the area: the Pacific Basin Economic Council [PBEC], the Pacific Economic Cooperation Conference [PECC], and APEC. The Pacific Basin Economic Council is purely an organization of private businesses from the various member nations. A semi-official body, the PECC brings together representatives from the academic world and the business community as well as officials from the member nations. Taiwan joined these two organizations in 1984 and 1986, respectively. The Asian Pacific Economic Cooperation Conference, on the other hand, evolved from the ministerial conference convened by Prime Minister Bob Hawke of Australia in Canberra, Australia, in 1989. An official organization, it comprises 12 nations, namely the United States, Japan, Canada, Australia, New Zealand, Korea, and the six member-nations of the Association of Southeast Asian Nations. Having sought membership from the very beginning, Taiwan was finally admitted the other day along with Mainland China and Hong Kong. This is an exciting event that affirms yet again Taiwan's economic achievements of the past few years and its important international status.

Politically, Taiwan's ascension as a member of APEC establishes its international status as a legal person and may help its re-entry into the world community. Economically, too, it will pay off in several ways.

1. Of APEC's 12 original member nations, only Korea has diplomatic relations with Taiwan. After Taiwan joins APEC, it would be in a position to establish official trade and economic channels of consultation with other member nations to solve bilateral problems in those areas.

2. Protect Taiwan's economic interests in the Asian Pacific area and safeguard its investment and trade activities there.

3. Counteract European and American protectionist pressures with APEC acting as a whole.

4. Take advantage of economic and trade coordination by APEC to promote economic development in Taiwan and other member nations in the area.

5. Grasp more opportunities for trade and economic cooperation to improve Taiwan's international stature.

So far, though, APEC remains a rather loose body. It is only a forum where member nations merely exchange nations. Its decisions are not binding on them. No secretariat has yet been established. Each year, it is up to the nation hosting the annual meeting to send out notices inviting other member nations to attend. Having said that, if APEC achieves a consensus on a matter, there is still a role it can play in economic and trade affairs. Under the coordination of Korea, for instance, which is hosting the ministerial meeting this year, the organization was enlarged and APEC's future development direction and goals have been worked out: 1) continue regional economic growth; 2) further economic cooperation; 3) strengthen the open multilateral trading system; and 4) eliminate trade barriers, whether they be in commodity trade or the exchange of services. Nevertheless, it will be hard to realize these goals if APEC remains as loose an organization as it is now. We suggest that APEC consider creating an administrative staff and take a decision on it when its third ministerial meeting convenes in Seoul in November. An administrative staff will help APEC further its mission and make the most of itself. Only then will it be able to achieve the goals above.

The conventional wisdom is that owing to its vast territory, cultural diversity, and the wide differences in levels of economic development and political and economic systems among its various nations, economic integration in the Asian Pacific area is much more difficult. Not only is high-level integration similar to that in the EC out of the question, but even the formation of just a free trade zone will be fraught with difficulty in the short haul. However, our opinion is that at a time when regionalization is the order of the day around the world, all nations in the area have come to a common understanding: unite and prosper. Each year, before the ministerial meeting opens, an administrative staff can help identify issues in the region where cooperation is urgently needed and invite experts and government officials concerned to offer opinions beforehand, which will then form the basis for ministerial discussion. Member nations can use the conclusions of the meeting as reference. If they honor such conclusions and coordinate their policies closely with them, they will be contributing enormously to all nations in the area. In the past it was thought that the greatest stumbling block to regional cooperation in the Asian Pacific area was the mutual intolerance between the Chinese Communists and Taiwan. Today, both are joining APEC as members, which shows that the stumbling block has been removed. Moreover, Mainland China is moving toward a market economy. Most member nations in the area have enjoyed the benefits of free trade (including the export boom of mainland China in recent years), experienced the importance of multilateralism, and been deeply hurt

by protectionism. Even if its level of internal organization is minimal, APEC can still exert considerable influence if it presents a united front externally and speaks with one voice.

If Taiwan is to be respected and influential as an APEC member, it must make clear its willingness to assume more international economic responsibilities, which is precisely what it is doing right now. For instance, in addition to the international economic cooperation fund set up earlier, Taiwan is now in the process of putting together a foreign aid fund. The six-year national economic development plan now under way focuses on expediting public construction, boosting domestic demand, and liberalizing trade. All that is intended to reduce its foreign trade surplus, adjust the imbalance in its international payments, and increase foreign investment. Taiwan has become a capital-exporting nation that will play an even more important role in any future credit crunch in the world. Taiwan should make other nations understand the effort it is making to fulfill its international obligations and obtain a positive response. All member nations should work hard for the sake of regional cooperation and common interests.

Budget Directorate Forecasts Stable Consumer Prices

OW0710114491 Taipei CNA in English 0759 GMT 9 Oct 91

[Text] Taipei, Oct 7 (CNA)—Taiwan's consumer price index in September registered its first decline in nearly four years, and the wholesale and import price indice also dropped during the month, the Directorate General of Budget, Accounting and Statistics (DGBAS) reported last Saturday.

The September inflation index fell 0.29 percent from the year before to 115.99, the directorate said. The important economic indicator was also 0.09 percent lower than that recorded in August.

The index measures changes in consumer prices from the base year of 1986, which is 100 on the index.

The last time the index posted a decline was October 1987, when it dipped 1.24 percent.

DGBAS officials said that the September drop was particularly encouraging since it came during the typhoon season and when the domestic money supply was growing significantly as a result of the Central Bank of China's easing of credit restrictions. The broadly defined M2 money supply grew at a two-year high rate of 17.65 percent in August.

Barring unexpected factors, the officials predicted, domestic consumer prices will not fluctuate sharply in the months ahead since prices for crude oil and other important raw materials remain weak on world markets and the current global economic recovery is not very strong.

The officials attributed the low inflation rate for September primarily to drops in food and clothing prices. Compared with September 1990, vegetable prices declined 12.86 percent and garment prices edged down 0.4 percent.

The consumer price index rose at an annual rate of 3.43 percent in the first three quarters of this year, DGBAS tallies show.

The September wholesale price index fell 2.9 percent from the year before and was 0.71 percent lower than that registered in August.

Import prices edged down 0.17 percent in September from the previous month and dived a far more significant 11.84 percent from September 1990.

September export prices fell an average of 1.74 percent from the previous year, according to official statistics.

Editorial on Increasing Foreign Aid

91CE0789B Taipei CHING-CHI JIH-PAO in Chinese
28 Aug 91 p 2

[Editorial: "Appropriate Approaches for Handling Our Country's Foreign Aid"]

[Text] In the context of President Li Teng-hui's recently expressed ideas on a foreign aid fund, Foreign Minister Ch'ien Fu, now accompanying Vice-President Li in his visit to Central America, stated in Costa Rica that at present Taiwan's foreign aid expenditure approximately accounts for 0.02 percent of the gross national product. He hopes that it can be raised to 0.17 percent, so as to meet the standard set by the Organization of Economic Cooperation and Development. This is a very forward-looking idea, and is also an indispensable step in our advance towards a developed country.

Energetic foreign economic assistance emerged soon after World War II. At that time, Eastern European Communism was on the rise. Amidst the ruins of war, and yet to be rebuilt, the Western European world also saw many signs of trouble guided by communist ideology. Through the Marshall Plan, the United States provided large-scale aid to Europe to rebuild the Western European economy, and to stop the expansion of the Communist world. Afterwards, under the assistance and encouragement of the United Nations and the World Bank, many developing countries also started efforts for economic development. Regrettably, the economic miracle that resulted in concrete achievements in Western Europe had no success whatsoever in most developing countries, leading to the problem of growing developmental gaps between the industrialized world and developing countries, thereby forming the problem of the necessity of industrialized countries giving assistance to developing countries. According to many resolutions, the amount of aid should constitute 1 percent of GNP at the highest, and 0.7 percent at the lowest. The

actual amount of aid provided is different because of the differences in the bases of calculation.

As the term suggests, aid is unilateral transfer. The donor country gives a certain amount of resources to the recipient country on a no-cost basis. This surely is a burden on the people of the donor country. The larger the amount of aid, the greater the domestic opposition in the donor country. To soften such resistance, the donor country often has to link aid to some objective. For example, in the experience of the large-scale post-War aid provided by the United States, the main aid items were surplus agricultural products and machinery. These goods have close relationships with the production and marketing of American industries. In fact, aid and industrial development are considered together. Even more important is to promote the political and diplomatic influence of individual countries or regional organizations through negotiations on the amount of aid and on the items to be provided. In other words, humanitarianism is a good argument; foreign aid represents losses of the usable resources of the country. It is worthwhile only when there is gain with regard to the country's overall interest.

At present, Taiwan's GNP is \$180 billion; per capita GNP is close to \$9,000, representing one of highest among the 180-odd countries of the world. Thus, there is some surplus available for foreign aid. Even more important is that Taiwan has a trade economy and many manufacturing industries substantially depend on exports. If it is possible to increase external dependence, and help relevant manufacturing industries improve external marketing opportunities, and if the increase in domestic economic returns from increased external marketing is larger than that used in foreign economic aid, then it will be worthwhile to carry out foreign aid. Furthermore, in the last two decades, Taiwan has become increasingly isolated internationally. To break through this isolation, and open a way to return to the international community, foreign economic assistance is indispensable.

In fact, Taiwan has been providing foreign economic assistance for many years, and the annual amount of foreign aid is more than 0.02 percent of GNP, as suggested by Foreign Minister Ch'ien. For example, the work done by agricultural technology groups abroad, training foreign agricultural technicians every year, foreign student aid provided by the Education Ministry, and the overseas Chinese education expenditures incurred by the Overseas Chinese Commission abroad can all be regarded as components of foreign assistance. The fundamental question for the present is that various foreign assistance projects are handled by various ministries and commissions concerned. Authority is not unified, and there have occurred cases of cancelling out each other's affairs. If these resources can be used together according to an overall plan, there is sure to be greater efficiency.

In short, since Taiwan's economy is gradually moving from being a developing country to joining the ranks of industrialized countries, but does not enjoy an equivalent status in international politics, foreign aid is a forceful means in the effort to close that gap. But the means should not be used aimlessly and blindly. In our view, the government should earnestly study concrete foreign aid policies, and gradually push various foreign aid projects in accordance with those policies. In our view, those policies should at least include three

elements: First, it is necessary to achieve unification of authority, and also to pursue a larger budget. Second, foreign aid should, as far as possible, accommodate the domestic industrial situation, thereby promoting the development of Taiwan's industries, in addition to giving aid to foreign countries. Third, all units concerned should give up departmentalism, so as to produce complementary results with regard to the allocation of aid funds by departments.

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